

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1923.

WESTINGHOUSE ELECTRIC & MANUFACTURING Co.,
Petitioner,

vs.

THE FORMICA INSULATION Co.,
Respondent.

RESPONDENT'S REPLY TO THE PETITION FOR WRIT OF CERTIORARI

In this case what the Court of Appeals for the Sixth Circuit has held is:

(1) That in the case of an *application* for patent, estoppel by deed does not arise from a mere assignment of the application, but the estoppel must arise, if at all, from the facts and circumstances of the transaction.

(2) That the facts and circumstances of the present case were such as to create no estoppel.

In the present case, the court had no occasion to pass on the question of whether an estoppel arising from the assignment of a granted patent is an estoppel by deed; hence, there is no question of conflict with decisions in other circuits, as counsel for petitioner assume. Indeed, the Court of Appeals for the Sixth Circuit points out

(Petition Appendix, p. 23, fol. 19) that, whatever may be the rule with reference to an issued patent, estoppel by deed is not applicable to the ordinary assignment of an *application* for patent.

I.

The peculiar facts of this case, among others, are that the patentee made the invention set forth in claims 1-10 while employed by the Westinghouse Company and, acting under general instructions, disclosed it to the patent attorneys of that Company, who prepared an application for patent, which was duly executed and filed. At the same time an assignment to the Company was executed without special consideration. Soon thereafter the patentee left the employment of the Westinghouse Company. The patentee never saw this application after it was filed, and was never consulted in connection with the prosecution of it.* About four years after the application was filed, without the knowledge of the patentee, two claims were inserted in addition to those already in the case, which claims "expressed a conception of the invention which rested solely on the 'non-planiform' shape of the article and was in this respect broader than any claim which O'Connor had drafted" (Petition Appendix, p. 25, fol. 10). The patentee at no time expressly or impliedly represented to the Westinghouse Company that he was the inventor of the process defined in these two claims. It was the validity of these two claims that the Court held the patentee was at liberty to dispute. The validity of the other ten claims of the patent was not disputed.

As to the subject matter of claims 11 and 12: "Bake-

*In the prosecution of the application, the attorneys of the Westinghouse Company acted as the agents of that Company, and not as the agents of the applicant. The rules of practice of the Patent Office provide:

"5. The assignee of the entire interest of an invention is entitled to hold correspondence with the Office to the exclusion of the inventor."

lite" is a composite material made up of layers of paper or cloth, and an adhesive. These layers are cemented together by the application of heat and pressure. In the prior art, heat was applied only once in the process of manufacture; and this process is, therefore, known as the "*one-step*" process. The patentee's contribution to the art consists in applying heat twice during the process of manufacture; and it is, therefore, known as the "*two-step*" process. All the claims of the patent in suit, except claims 11 and 12, are limited to the two-step process. Claims 11 and 12 are not limited to the two-step process; but are, in terms, broad enough to cover the old one-step process. The question arises, How then are these claims differentiated from the prior art? The answer is, In the prior art, the presses in which the material was heated usually contained *flat* plates, like the plates in an ordinary press for copying letters. The resultant product was, therefore, flat or "*planiform*". Claims 11 and 12 cover as a new process, making the same identical product by the old one-step process in any other form than in flat plates—or, as the patent calls it, in "*non-planiform*" shapes. In other words, they claim as a new "process," making the same identical product in the old way, but in another shape—actually well known in the prior art, however.

The claims in question read as follows:

"11. The process of manufacturing a *non-planiform* article which consists in superposing a plurality of layers of fibrous material associated with an adhesive substance that is adapted to harden under the influence of heat and pressure into a substantially infusible and insoluble condition, and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials.

"12. The process of manufacturing a *non-planiform* article which consists in superposing a

plurality of layers of fibrous material associated with a phenolic condensation product and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials."

It is conceded by the plaintiff that if the words "*non-planiform*" be omitted, these claims would be completely anticipated. The claims are so obviously invalid that—as the Court in its opinion points out—"indeed, no argument to the contrary is made by counsel" (Petition Appendix, p. 25, fol. 30).

The applicant-assignor immediately after leaving the Westinghouse Company engaged with others in the business of manufacturing Bakelite, making the product both in planiform and non-planiform shapes. He and his associates never used the two-step process which he had assigned to the Westinghouse Company. This business was carried on more than five years before the patent in suit was issued; and for about seven years, with the full knowledge of the Westinghouse Company and without protest, before this suit was brought.

II

The theory of the petitioner is that there is a direct conflict between the decision of the Court of Appeals for the Sixth Circuit in the instant case and the decision of the Court of Appeals for the Seventh Circuit in *Siemens-Halske Co. v. Duncan Co.*, 142 Fed. 157. We submit that no real conflict exists.

When it is said that decisions conflict as to matters of law, what is meant is that if the Court which heard the later case had heard the earlier case it would have reached a different conclusion. Applying this test, it is plain that there is no conflict, because the Court in the instant case has stated, in effect, that if it had heard the Siemens-

Halske case, it would have reached the same conclusion as that reached by the Court of Appeals for the Seventh Circuit. Thus in a foot-note to its opinion it says (Petition Appendix, p. 24) :

"In *Siemens Co. v. Duncan Co.*, *supra*, it was found that Duncan had represented that he was entitled to, and had sold and conveyed the right to, the precise monopoly covered by the claim sued upon; from this basis, an estoppel followed of necessity; the name of it was not important."

It is true that the Court of Appeals for the Seventh Circuit speaks of the estoppel as being "by deed", and the Court in the instant case speaks of the estoppel (in the case of an *application*) as arising "merely from those principles of good faith, the application of which create equitable estoppels" (Petition Appendix, p. 24, fol. 5); but to constitute conflict, there must be something more than a difference in the terms employed. The facts of the cases must be analogous in order to present the same question of law for determination. The facts in the Siemens-Halske case and the facts in the instant case are so different that, we submit, the same question of law was not presented in them.

III

The question remains whether, laying aside the decision in the Siemens-Halske case, there is conflict between the decision in the instant case and the decisions in the other Circuits.

The doctrine that an assignee is estopped from denying the validity of the patent assigned originated in the case of *Chambers v. Crichtley*, 33 Beav. 374, decided by Sir John Romilly, Master of the Rolls, in 1864. In that case the defendant had been a member of a partnership

engaged in manufacturing stoves under a certain patent. The partnership was dissolved and the defendant assigned to the plaintiffs all his interests in the assets "including all patents, inventions, discoveries and designs, and all right and benefit thereof". Later defendant made some improvements on these stoves and sold the improved stoves. In rendering judgment, Sir John Romilly said:

"I do not intend to express my opinion as to the validity of Wright's patent. I will assume for the purpose of my judgment, that it is worth nothing at all. But this is certain, that the defendant sold and assigned that patent to the plaintiffs as a valid one, and having done so, he cannot derogate from his own grant. It does not lie in his mouth to say that the patent is not good. I am satisfied that the defendant has taken advantage of that patent and has made an improvement upon it; but I am of the opinion that he is not at liberty to do so. I must, therefore, grant an injunction to restrain the defendant from selling stoves made on the principle of the Wright's patent."

It is clear that in this opinion the estoppel was regarded as one arising out of the facts of the transaction, and not out of the existence of a written document, the facts in that case being that the assignor and assignee as partners had been engaged in selling these patented stoves, and that the assignor had sold out his interest in said business and had received consideration for said patent as a valid one, and later had continued in the business of making the patented stoves.

The earliest case in this country dealing with this subject is *Faulks v. Kamp*, 3 Fed. 898, decided by Wheeler, J. After citing the case of *Chambers v. Crichley*, *supra*, he said (p. 900):

"Every seller of personal property impliedly warrants that he has title to and right to sell what he assumes to sell." * * * "It is urged

strenuously in behalf of the defendants that these principles do not apply to sales of patent-rights, on account of their incorporeal nature and the interests to the public." * * * "The nature of the right covered by letters patent does not seem to be such that a warranty of the right cannot be implied." * * * "The defendants in possession and enjoyment of that exclusive right assumed to sell and transfer it. After that, in justice, they ought not to be heard to say that they had it not and did not sell it, and to be allowed to derogate from their own grant by setting up that it did not pass. They may have deprived themselves of the right to practice it within the territory when otherwise they would have retained the right in common with all others; but, if they did, that would not so affect the public as to avoid their obligation. They could exclude themselves in that way by contract, independently of the patent, and the contract would be upheld if it went no further than upholding this patent as against them in the territory in question would take them." * * * "It is argued for the defendants that as the conveyances were of the right, title, and interest of the grantors, the warranty would only extend to whatever right they might have which passed, and that the warranty was kept. But the conveyances were made to carry out the sale in the manner required by law for passing the title, and the warranty *grew out of the sale and not out of the form of the conveyance.*" * * * "But the rights of the orators do not rest upon the estoppel merely; they rest upon the *purchase*, which must operate so that the orators may have what they bought, and so that the defendants shall not both *sell and keep* the same thing."

It is clear that in this, the earliest opinion dealing with the subject in this country, the estoppel was regarded as an equitable one arising out of the facts of the transaction and not out of the existence of a written document.

We have made an extensive examination of the cases

in this country following the decision in *Faulks v. Kamp*, *supra*, and, so far as we have found, the first one which treats the estoppel as being an estoppel by deed, and not as equitable in its character, is the decision in the Siemens-Halske case. All those which precede it, either expressly or by assumption, treat the estoppel as one arising "from those principles of good faith, the application of which create equitable estoppels." (Petition Appendix, p. 24, fol. 5).

We submit that if there is any conflict, it is between the decision in the Seventh Circuit and the decisions in the other circuits—not between the decision in the instant case and the decisions in the other circuits.*

The only case we find in the books before the decision in the Siemens-Halske case which refers in terms to the nature of the estoppel involved, is the case of *Babcock v.*

* That the decision in the Siemens-Halske case is in direct conflict, in other respects, with the decisions in the other Circuits is clear. Thus: The real point decided in the *Siemens-Halske* case is that if an assignor of a patent is sued as an infringer, he may not rely upon the prior art to determine the correct construction of the claims, whereas the rule adopted in the other circuits is clearly stated in the decision of the Court of Appeals for the Sixth Circuit in *Noonan v. Chester*, 99 Fed. 90, the Court at that time being composed of Judges (subsequently Justices) Taft, Lurton and Day, as follows (p. 91):

"It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty or utility, or because anticipated by prior inventions. But this estoppel, for manifest reasons, does not prevent him from denying infringement. To determine such an issue, it is admissible to show the state of the art involved, that the court may see what the thing was which was assigned, and thus determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against an infringer. The court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger. *Babcock v. Clarkson*, 11 C. C. A. 351, 63 Fed. 607; *Ball & Socket Fastener Co. v. Ball Glove-Fastening Co.*, 7 C. C. A. 498, 53 Fed. 818; *Cash-Carrier Co. v. Martin*, 14 C. C. A. 642, 67 Fed. 786; *Chambers v. Orlchley*, 38 Nev. 374; *Construction Co. v. Stormberg* (C. C.), 66 Fed. 550; *Clark v. Aldie*, 2 App. Cas. 428, 436. This was the rule applied by the court below, and is the principal ground of objection to the decree finding that the assigned patents, when limited by the previous state of the art, had not been infringed."

Clarkson, 63 Fed. 607, where Judge Putnam, speaking for the Court of Appeals for the First Circuit, said:

"Joseph T. Clarkson, one of the respondents below, was the original patentee, and the title of complainants is derived under assignments from him for a pecuniary consideration, valuable in law, though said to be small. Consequently, an estoppel operates against him. The precise nature of this estoppel does not seem to have been always clearly apprehended. It is, in effect, that, when one has parted with a thing for a valuable consideration, he shall not, so long as he retains the consideration, set up his own fraud, falsehood, error, or mistake to impair the value of what he has thus parted with. As applied to the specifications of a patent, the vendor patentee is as much barred from setting up that his allegations therein were merely erroneous as that they were willfully false. This is as much in harmony with sound morals as with the fundamental rules of equity law. The estoppel is *not technically by record*; nor is it the *usual estoppel in pais*, arising from the representations or silence of the party against whom the estoppel is charged, as in *Sturm v. Boker*, 150 U. S. 312, 14 Sup. Ct. 99, and *Brant v. Iron Co.*, 93 U. S. 326. Consequently, the estoppel which we apply to this case does not run against a patentee whose patent has been sold by his assignee in bankruptcy. These distinctions lay out of this case *Cropper v. Smith*, 26 Ch. Div. 700, affirmed on this point in *Smith v. Cropper*, L. R. 10 App. Cas. 249.

"On the whole the estoppel raised in this case is of the same class as that applied by the Supreme Court in *Brazee v. Schofield*, 124 U. S., 495, 8 Sup. Ct. 604, where the court said (page 503, 124 U. S., and page 604, 8 Sup. Ct.) as follows:"

'There is another view of this case which would seem to conclude the appellant as to the sufficiency and legality of this notification by the widow. The patent of the United States was issued upon the supposed compliance of the pat-

entees with the requirements of the donation act. That instrument is not in the record, but we must presume that it follows the usual form of such instruments, and recites the compliance of the patentees with the requirements of the act, and the production to the proper officers of satisfactory proof on that point. The appellant derives all the title he asserts through conveyances of the heirs of the deceased settler under the patent. As well observed by the Supreme Court of the territory, under these circumstances these heirs and their grantees are estopped from "saying to the prejudice of any grantee of theirs, but that the husband and ancestor, Amos Short, deceased, duly resided upon and cultivated for the prescribed period the donation land claim known as his, or that by virtue of a full compliance with the essential requirements of the donation act, his widow and children were, at the date of his death, in January, 1853, entitled under the act to that land claim." "

"The principle is recognized in *Brant v. Iron Co.*, 93 U. S. at pages 336, 337." "

The view expressed in the above decision, that the estoppel is "not technically by record" and that it is not the "usual estoppel *in pais* arising from the representations or silence of the party against whom the estoppel is charged", but that it is one of those cases in which, to use the language of Mr. Justice Field quoted (in foot-

* In *Brant v. Iron Co.*, 93 U. S. 326, above referred to, the Supreme Court, speaking by Mr. Justice Field, after pointing out that equitable estoppel proceeds upon the ground of constructive fraud or of gross negligence, says (336):

"There are undoubtedly cases where a party may be concluded from asserting his original rights to property in consequence of his acts or conduct, in which the presence of fraud, actual or constructive, is wanting; as, where one of two innocent parties must suffer from the negligence of another, he through whose agency the negligence was occasioned will be held to bear the loss; and where one has received the fruits of a transaction, he is not permitted to deny its validity whilst retaining its benefits. But such cases are generally referable to other principles than that of equitable estoppel, although the same result is produced; thus the first case here mentioned is the affixing of liability upon the party who from negligence indirectly occasioned the injury, and the second is the application of the doctrine of ratification or election. Be this as it may, the general ground of the application of the principal of equitable estoppel is as we have stated."

note, page 10) "where a party may be concluded from asserting his original rights to property *in consequence of his acts or conduct*, in which the presence of fraud, actual or constructive, is wanting", is in complete harmony with the decision in the instant case.

IV.

This is the first case in which the doctrine of estoppel has been considered in connection with an assignment of a *pending application* for patent.

While a presumption of validity attaches to a United States patent, due to the fact that the claims have been examined for novelty and passed by the Commissioner of Patents, no such presumption of validity attaches to the claims of a pending application before examination. An assignment of a pending application, therefore, carries with it no such representations as to validity as does the assignment of an issued patent in the United States. In the instant case, it was the legal department of the Westinghouse Co. which reached the conclusion that an application should be filed, and there is no proof that O'Connor made any representations as to patentability. The Court in the instant case says, speaking of an assignment of a pending application (Petition Appendix, p. 23):

"Even if the transfer of an *existing grant* of monopoly may create an estoppel by deed, forbidding the grantor to deny the validity of the grant, this theory is inapplicable to the transfer of the inchoate right suggested by a *pending application*. By the common form of transfer, the grantor, in effect, says: 'Here is my device; I do not know whether it is patentable, or if it is, how broadly; take it, prosecute the patent application and get what you can.' ""

*That an ordinary assignment is in the nature of a quit-claim, see *Gilmore v. Allen*, 118 Mass. 94; and that there is no implied warranty of validity (as distinguished from title), see *Hiatt v. Twomey*, 1 Dev. & Bat. (N. C.) 315.

There is an analogy, in this respect, between the assignment of a pending United States application and a British patent issued before the year 1902. Before that year (*2 Ed. VII, c. 34, s. 1*) British patents were issued without any examination as to novelty. In England it was held with respect to such patents that the mere fact of assignment did not create an estoppel; but that such estoppel was created only by special facts (such as appeared in *Chambers v. Crichtley, supra*, or from the receipt of an adequate consideration), indicating that the parties in the transaction treated the patent as a valid one. The leading case on this point is *Cropper v. Smith*, 26 Ch. Div. 700 (decided in 1884) affirmed on this point by the House of Lords in *Smith v. Cropper*, L. R. 10 App. Cas. 249. In that case COTTON, L. J., said (p. 705):

“Then it was urged that he was estopped by the petition which he presented to the Crown, because there he represented that this invention was a new invention; and that this representation must apply to the whole invention for which he claims protection in the specification. That would, in my opinion, so far as it is necessary to give an opinion on the point, be as good as an estoppel *in pais* as against anyone who is proved to have acted in reliance on the statement in the petition, but here there is no evidence at all that the plaintiffs relied on any statement made by Hancock in his petition. The plaintiffs gave a very small sum for this patent, and as a rule, people do not rely on any statement made by the patentee, but they buy the patent, forming their own opinion as to its worth, taking their chances (unless it has been established) of their being able to establish its validity if the question comes before a Court of law.”

In the same case BOWEN, L. J., said (p. 709):

“Nor is there estoppel *in pais* or by matter of contract, for the best of all reasons. It is true

that in his petition to the Crown, Hancock stated that his invention was new, but what sensible being in this world who buys a patent, buys it on the strength of the assertion made by the patentee that his invention is new? We know that a person who buys a patent generally takes it for what it is worth, and there is absolutely no evidence in this case that the plaintiffs, who bought from the trustee in liquidation, and who gave a very small sum for the patent, relied in the least on allegations made by the petition to the Crown by the patentee that his invention was novel."

It will be observed that the Court in the instant case, dealing with an analogous situation, reached the same conclusion, by the same course of reasoning, as did the House of Lords in the case above cited.

V.

But if it were true that the estoppel running against an assignor is by deed, it does not follow that the assignor in the instant case is estopped from denying the validity of claims 11 and 12, because these claims were introduced into the application, without the knowledge of the assignor, four years after it was assigned, which claims, as the Court has found, "expressed a conception of invention which rested solely on the 'non-planiform' shape of the article and was in this respect broader than any claim which O'Connor had drafted" (Petition Appendix, p. 25, fol. 10). If the estoppel is by deed, it cannot be possible that the assignee can alter the terms of the deed in a material respect and hold the assignor estopped by the changed description of the property assigned. It might as well be asserted that the grantee of a piece of land could, without the consent of the grantor, change the description of the metes and bounds of the

property assigned, and hold the grantor estopped by the changed description.

There is another principle of estoppel which properly should apply here, were the estoppel by deed, namely, that the grantee is estopped to deny that the deed (assignment with reference to application) did not originally include all that was intended to be transferred.

The petition, p. 5, quotes a paragraph from the original specification, beginning:

"While the process above described * * *."

The "process above described" is the two-step process (set forth in claims 1-10), and the statement in the original specification is not the equivalent of a statement that any portion of the invention resided in the mere form of product or that any of the invention lay in pressing non-planiform plates (a dished insulating washer, for example) as distinguished from a strictly flat plate or disk. It follows that the assignee, by inserting claims 11 and 12 in the application some four years after O'Connor left the employ, altered the deed, and should be held estopped, if the theory of estoppel by deed is applicable, to contend that the original deed contained less than the whole transfer.

As above pointed out, the Rules of Practice of the Patent Office provide that the assignee of the entire interest of an invention may hold correspondence with the office to the *exclusion of the inventor*. The attorneys of the Westinghouse Company in amending and prosecuting the application of O'Connor were acting as the agents of that company and not as the agents of O'Connor.

Respectfully submitted,

JOHN H. LEE,
J. EDGAR BULL,
of Counsel for Respondent.

RESPONDENT'S

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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1924.

No. 102.

**WESTINGHOUSE ELECTRIC AND MANU-
FACTURING COMPANY, PETITIONER,**

vs.

**THE FORMICA INSULATION COMPANY,
RESPONDENT.**

BRIEF FOR RESPONDENT.

This is one of three suits brought or instigated by plaintiff, after plaintiff had failed in its first suit against this defendant, based on the Conrad gear patents. Both the District Court and the Court of Appeals for the Sixth Circuit decided in defendant's favor in all four cases. The decisions by the Court of Appeals are reported as follows:

Westinghouse vs. Formica, 272 Fed., 667;

Westinghouse vs. Formica, 286 Fed., 495;

Continental Fiber Co. vs. Formica, 287 Fed.,
455;

Westinghouse vs. Formica, 288 Fed., 330.

This Court denied a writ of certiorari in the last-mentioned case (263 U. S., 692).

In the present case, plaintiff is seeking to enforce an alleged estoppel against defendant company with respect to claims 11 and 12 of the O'Connor patent, No. 1,284,432. It is proper that the Court should be advised at the outset that O'Connor's real invention is fully and comprehensively covered by claims 1 to 10, both inclusive, of the patent; that defendant company has always respected plaintiff's right to the actual invention of O'Connor, which is described in the patent; and that so far as appears from this record, plaintiff has always enjoyed an exclusive monopoly of the O'Connor invention described in the patent.

Thus, this case presents no question of failure of consideration; it presents no situation where a party, having sold an invention, seeks to deny that he made the invention; and it presents no situation where the inventor, or his privy, seeks to deny the value or utility of the invention, or the validity of the patent so far as it is directed to the protection of O'Connor's actual invention, upon which alone could have been based an inchoate right to patent protection—the thing which plaintiff acquired when it caused an application and assignment to be prepared by its legal department and secured the execution thereof by O'Connor.

The prosecution of the O'Connor application was in the hands of the Westinghouse Company's patent attorneys, but that did not give to the attorneys

any right to include invalid claims in the application. The parties were dealing with O'Connor's inchoate right to obtain a patent covering his actual invention. That was the only right possessed by O'Connor which he could transfer, and it must be presumed, we submit, that the parties were dealing with respect to this inchoate right possessed by O'Connor, and not with respect to subject matter which O'Connor did not possess the right to patent.

There are numerous reasons why the decree of the District Court, dismissing the bill in this case, should be upheld. These reasons will be discussed under the following heads:

I. Plaintiff was guilty of *laches* in allowing more than four years to elapse after the filing of the O'Connor application before submitting to the Patent Office Claims 11 and 12; and plaintiff was estopped, after a delay of seven years, with knowledge of the use by defendant of the process now complained of, to maintain this suit.

II. No estoppel exists as against O'Connor with respect to claims 11 and 12. The only process described in the O'Connor patent (p. 37) is a two-step process, which is fully covered by Claims 1 to 10 inclusive. Claims 11 and 12 were wrongfully introduced into the application more than four years after it was filed, and some four years after defendant began the use, with plaintiff's knowledge, of the process now claimed to infringe Claims 11 and 12. So far as ap-

time he made the assignment, that he would not himself use the process in question. Indeed, the implied promise, under the necessities of the present case, would have to extend beyond the O'Connor process which could be validly patented; otherwise, the plaintiff could have no cause of action with respect to a one-step process for which O'Connor could obtain no valid patent.

Again, if plaintiff ever possessed the right to insert in the O'Connor application Claims 11 and 12, that right should have been exercised with diligence, and plaintiff should not have waited more than four years before filing in the Patent Office an amendment introducing Claims 11 and 12. If plaintiff possessed such right, the right was lost both by reason of the delay in presenting the claim to the Patent Office and by reason of the fact that defendant (and its predecessor) was allowed to practice the process, with the knowledge and tacit consent of plaintiff, for about seven years before the suit was brought; and when the suit finally was brought, it formed a part of litigation thrust upon defendant by reason of the fact that it allowed its laminated plates to be used for the manufacture of silent gears in a field with respect to which plaintiff was particularly desirous of maintaining a monopoly (p. 22).

The laches of plaintiff in failing to introduce into the O'Connor application claims 11 and 12 until more than four years after the filing of the

application appears, on principle, to bar the plaintiff with respect to such claims.

Webster Electric Co. vs. Splitdorf Electrical Co., 264 U. S., 463 (Advance No. 3).

In this case the Court discussed the long delay which occurred in presenting broad claims to the Patent Office, and said, pages 465, 466:

"But this aside, the evidence establishes to our satisfaction that Kane did not originally intend to assert these amended claims, because he considered their subject matter one merely of design and not invention; and the inference is fully warranted that the intention to do so was not entertained prior to 1918." * * *

"The subject matter of these claims is not of such complicated character that it might not have been readily described in the original application or in one of the subsequent applications—in 1915 for example—as it was described in 1918; and the long delay of Kane and his assignee in coming to the point tends strongly to confirm the view that the final determination to do so was an exigent afterthought, rather than a logical development of the original application. We have no hesitation in saying that the delay was unreasonable, and, under the circumstances shown by the record, constitutes laches, by which the petitioner lost whatever rights it might otherwise have been entitled to."

The Court then discussed the rule with reference to the introduction of broadened claims in a re-

issue patent and referred to the question of intervening rights, and concluded, page 471:

“Our conclusion, therefore, is that in cases involving laches, equitable estoppel or intervening private or public rights, the two year time limit *prima facie* applies to divisional applications and can only be avoided by proof of special circumstances justifying a longer delay. In other words, we follow in that respect the analogy furnished by the patent reissue cases.

“*Affirmed.*”

In view of the fact that Faber and O'Connor left the employ of the plaintiff in 1913, with the avowed purpose of making the products now complained of; that they at once began manufacturing and selling the same and have continued to do so openly and notoriously with the full knowledge and implied consent of the plaintiff down to the time that this suit was brought; that plaintiff had complete control of the application for the patent in suit and prosecuted it with the minimum amount of diligence permitted by the statutes; that plaintiff registered no protest against the acts now complained of until seven years after defendant began committing said acts and not until plaintiff had failed of success in its suit brought against the defendant under the Conrad patent; that the protest then made was in reprisal for the resistance offered by the defendant with regard to the Conrad patent, which resistance the Court of Appeals

found was justified—in view of these facts, the District Court held that the defendant had good reason to believe that the alleged rights of the plaintiff were worthless or had been abandoned and that it would be injustice to permit plaintiff now to assert them against the defendant.

Plaintiff stood by while defendant built up a business which was based at the outset wholly on non-planiform products and which later included, from time to time, other non-planiform articles; and thus, plaintiff, having led defendant to believe that it was free to pursue such course, is now estopped to assert otherwise.

We submit that the decision of the District Court is abundantly justified by the facts and is sound in law, and, should this court so hold, there will be no occasion to consider the contention of plaintiff that defendant cannot deny the validity of claims which, in the light of the art in this case, never should have been granted. Plaintiff cannot ask a Court of equity to aid it in an effort to withdraw an acquiescence, upon which defendant has acted to its prejudice. Plaintiff is itself met at the outset with an estoppel which it cannot overcome.

Without discussing this matter further at this point, we respectfully request the Court to bear this question of the estoppel of plaintiff in mind while we are discussing the underlying reason for the alleged estoppel against O'Connor.

II. No Estoppel Exists Against O'Connor With Respect to Claims 11 and 12.

While the instant case takes the form of a patent suit it is not such a suit in reality. Plaintiff is not here seeking to enforce Claims 1 to 10, inclusive, which cover O'Connor's real invention. As has been stated, there is nothing to show that plaintiffs have not enjoyed the exclusive use of O'Connor's actual invention, namely, the two-step process which is described in the specifications of the patent.

Claims 11 and 12, unless construed (to save them) as limited to the two-step O'Connor process, are invalid; and if they are limited to the true O'Connor two-step process, they are not infringed.

Thus, we have this situation: plaintiff is in exclusive enjoyment of the O'Connor process described in the patent and very fully claimed in Claims 1 to 10, inclusive, and, nevertheless, plaintiff is in the present case seeking something more, namely, something which O'Connor could not confer and which the patent does not validly confer. Plaintiff's course thus seems utterly repugnant to every sense of equity and fair-dealing. Defendant never has employed the two-step process, and the patent does not validly cover anything more than the two-step process.

If, therefore, plaintiff can succeed in its action, it must be because the action is based upon some other right than that actually conferred by the

patent, that is, the right to exclude the public from the practice of the process. *Continental Paper Bag Co. vs. Eastern Paper Bag Co.*, 210 U. S., 405.

O'Connor was not under actual agreement to assign (p. 14). It is possible that the Westinghouse Co. was only entitled to a shop right. The point was not raised by O'Connor. He executed the application and assignment when requested and the Westinghouse attorneys, without request from O'Connor, prepared the application papers. O'Connor received \$1.00 for generously doing that which, perhaps, he was not under legal obligation to do; and the company in which he is a minor stockholder is now under the necessity of defending its right to use a process which is not covered by any valid patent claim possessed by plaintiff.

If plaintiff possesses a right to enjoin defendant company, such right is not based upon the patent; it must be based upon the transaction between plaintiff and O'Connor, in January, 1913. It must rest upon an implied promise not to use the real invention (which could be covered by a valid patent) and, also, not to use anything outside of or beyond the real invention (unpatentable) for which the Westinghouse attorneys might succeed in obtaining a claim through improvident grant by the Patent Office.

If the cause of action is not based on a valid patent claim, it must have arisen as soon as the Westinghouse Company learned in 1913 that defendant was practicing the process. Therefore, the District

Court was right in holding that plaintiff was barred by its own actions from maintaining a suit. It was plaintiff's duty to act without awaiting the issuance of a patent, so far as the relations between plaintiff and defendant were concerned.

Estoppels with reference to patents, applications for patents, and subject matter for applications, which may or may not involve inventions, may arise or may not arise, depending upon the circumstances of the transaction. Possibly the estoppel may be technically an estoppel by deed in some cases, and an estoppel *in pais* in other cases. It is doubtful whether technical rules can be of much advantage in dealing with the class of estoppels here involved. The Court is superior to the rule, and if the rule prevents justice, it can be abrogated or amended.

That the circumstances creating the estoppel may appear from the deed evidencing the transaction doubtless is true. It is quite possible, however, that in the early English case of *Chambers vs. Critchley*, 33 Beav., 374, decided by the Master of the Rolls, and which appear to have been adopted as a precedent in this country, there was some evidence that the vendor warranted the validity of the patent. Sir John Romily said:

“But this is certain, that the defendant sold and assigned that patent to the plaintiffs as a *valid one*, and having done so, he cannot derogate from his own grant.” (Emphasis ours.)

Suppose, however, that the assignee had stated in the instrument of assignment: "I transfer and convey all my right, title, and interest in said patent, etc., intending only hereby to place said assignee in my stead as owner of said patent." Or, suppose the instrument had stated: "I hereby guarantee that I am the owner of said patent, but I do not warrant its validity"—we submit that in either one of the assumed instruments this Court would hold that the intent of the instrument was merely to effect a substitution of one party in place of the other as owner of the patent, and that the assignee would take nothing more than good title to a franchise which might be good in part and bad in part, which might be wholly good, or which might be wholly bad.

In the United States, patents are granted subject to defeasance by prior art, whether prior use, prior patents, prior publications, etc. R. S., Secs. 4886, 4920.

The legal presumption is that parties bargain with knowledge of the law, that is, that they know that the patent may be held invalid in whole or in part. (See cases in Appendix hereto.)

If, therefore, A transfers a patent to B, should not the presumption be, in the absence of anything showing a contrary intent, that the parties intended simply that the assignee should be placed in the position of the former owner, that is, that the assignee should become the owner of a patent which is *prima facie* valid. In this country, patents are

prima facie valid. *Damrow Bros. Co. vs. Stoelting Bros.* (C. C. A., 7th Circuit), 295 Fed., 492, 495, and the decisions of the United States Supreme Court cited therein.

There is nothing inherently fraudulent, or wrong, or misleading, in a transaction by which a patent owner undertakes simply to induct an assignee into his own position as owner of a *prima facie* valid patent. The Court of Appeals, in the instant case, having in mind the nature of the patent as a franchise to exclude the public (*Continental Paper Bag Company case, supra*), seems disposed to regard an ordinary assignment as closely analogous to a quit-claim deed.

In the case of *Gilmore vs. Aiken*, 118 Mass., 94, the Court (Gray, C. J.) held that there is no *implied* warranty of the validity of a patent in an assignment. The Court said:

“The extent of the interest undertaken to be conveyed by the plaintiff to the defendants, and of the obligation or estoppel created by such conveyance, depends upon the terms of the written instrument of assignment executed by him to them.

“By that instrument he sells, assigns, and transfers to them only the right, title, and interest which he has in three patents, * * * And the only express covenant is that the plaintiff ‘will do no act which will in any way impair the right I now have to said patents or either of them, and hereby assigned to them.’ The assignment is in the nature of a quit-claim deed of whatever right, title

or interest the plaintiff has or may acquire in the patents specified, and creates no warranty that either of the patents was valid."

While we apprehend that this Honorable Court will not find it necessary to consider the validity of claims 11 and 12, in view of the prior art, inasmuch as plaintiff's counsel have, throughout the procedure in the District Court and the Court of Appeals, tacitly conceded the invalidity of the claims, and the Court of Appeals has expressly found them to be invalid, it is desirable to make sufficient reference to the patent and the prior art to enable this Court to obtain an understanding of the point which has been advanced in behalf of O'Connor, that is to say, the point that claims 11 and 12 were wrongly introduced into the O'Connor application, are not warranted by the original application, and are not covered by the original oath or by supplemental oath. The Westinghouse attorneys, in introducing these claims in the application, adopted a new theory of invention which never had been entertained by O'Connor, namely, that some inventive concept lay in the mere idea of form imparted to the product in the pressing operation. O'Connor never subscribed to such a theory of invention, never made oath that such an idea was his invention, and in all probability, had he been called upon to execute the supplemental oath predicated invention on the mere form impressed upon the article, he would have declined to do so. With these matters in mind, brief reference will be made to the patent.

Patent in Suit.—The patent in suit (p. 37) is for a *process* of making composite material. The composite material consists of sheets of paper or fabric united by a binder consisting of a phenolic condensation product, such as Bakelite. Such a composite material was concededly old. It was fully described in prior patents, among others, the Baekeland Cardboard patent No. 1,019,406 (p. 114).

In the Baekeland Cardboard patent (p. 114), the process consists of first coating sheets of paper or fabric with Bakelite, drying them, and then arranging them in a pile. The pile is placed in a press and heat is gradually applied up to about 100 degrees to 140 degrees C., when transformation of the material takes place, very much as a mixture of rubber and sulphur is vulcanized by heat and pressure. The article is then completed. This, it will be observed, is a *one-step* heating process.

The process described in the O'Connor patent differs from the above in that the pile of dried sheets coated with Bakelite is first subjected in a press for a brief period (15 minutes to 1 hour) to a relatively low heat and high pressure (800 lbs. per square inch), whereby the sheets are cemented together; then the material is allowed to cool in this press without relieving the pressure. After cooling, the material is introduced into another heated press, or in an oven, where it is subjected to a higher temperature (100 degrees to 140 degrees C.), but at lower pressure (140 pounds per square inch) until transformation is completed. This is a *two-step*

heating process with an intermediate cooling step under pressure.

This is the beginning, the middle, and the end of the specifications of the patent in suit, except that they contain the following statement (p. 2, lines 9 to 15):

“While the process *above described* is that used for making *plates*, the insulating material may be produced in the form of *channel pieces or tubes that are cylindrical or rectangular in cross-section or of other shape, as desired, by pressing in forms of the proper shape.*”

The “process above described” is the two-step process, nothing else; and there is nothing to indicate the slightest intent to predicate invention on the mere shape of the product.

All the claims in the patent in suit except claims 11 and 12 are directed in terms to the novel *two-step* process above described. It is not contended that the defendant ever used this process. It is admitted that the only process used by the defendant is the identical *one-step* process described in the Baekeland Cardboard Patent No. 1,019,406 (p. 114).

Claims 11 and 12 (the only claims in issue) are based on the above-quoted passage in the specifications. As we shall show, they were introduced at a late date in the prosecution of the case. They read as follows:

11. The process of manufacturing a *non-planiform* article which consists in superposing a plurality of layers of fibrous material associated with an adhesive substance that is adapted to harden under the influence of heat and pressure into a substantially infusible and insoluble condition, and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials.

12. The process of manufacturing a *non-planiform* article which consists in superposing a plurality of layers of fibrous material associated with a phenolic condensation product and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials.

It will be observed that these claims omit all reference to the O'Connor two-step process above described. As far as *process* is concerned, they are in terms broad enough to cover the admittedly old one-step process of Baekeland, which, as we have said, is what defendant uses. These claims are limited only to the *form* of the article produced, and they are broad enough to cover *all forms except those which are flat plates*. If there is any novelty in the claims it is all wrapped up in the single word "*non-planiform*" which appears in both of them. If this word were omitted, it will be conceded that these claims are completely

anticipated by the Baekeland Cardboard patent, unless limited to the O'Connor two-step process.

Alleged Infringement.—The charge of infringement is based on the manufacture of Plaintiff's Exhibit No. 2, which consists of a tube made as follows: A continuous web of paper was coated with a phenolic condensation product and it was then rolled in the form of a tube on a suitable machine. It was then placed in a press having a tubular cut in it, in which groove the tube snugly fitted. Pressure and heat were then applied until the condensation product was transformed into its insoluble and infusible state. The heating was done in a single step, precisely as described in the Baekeland Cardboard Patent, and not in two steps, as described in the patent in suit and in the first ten claims thereof. This particular product was first manufactured by defendant—not by plaintiff (p. 24; also pp. 30, 31).

Admitted Facts.—Facts in this case which are not in dispute are the following:

Faber and O'Connor are mechanical engineers. Shortly after graduation both were apprenticed to the Westinghouse Company—that is to say, they entered the Company's employ at a small salary with the understanding that they were to be allowed to work in association with experienced engineers and thereby gain useful knowledge and experience in the line of their profession (Faber, p. 18, last paragraph; O'Connor, p. 25). While so employed, O'Connor developed the invention which

is the subject-matter of the patent in suit. He disclosed it to the legal department of the Westinghouse Company, which thereupon prepared the application for patent which he executed and, at the same time, assigned to the company without actual consideration. While there was no contract requiring him to assign it, it was the general understanding in the engineering department that inventions made by employees should be assigned without consideration (p. 14). This application as originally prepared and executed by O'Connor (pp. 136-142) did not contain any claims directed to the making of "non-planiform" articles as distinguished from flat plates, as do claims 11 and 12 relied on in this case.

Shortly after the filing of said application, Faber and O'Connor discussed the matter of starting a business of their own. The suggestion came from Faber (p. 15), and O'Connor expressed himself as favorable thereto. No definite arrangement was made, however, at that time (pp. 15, 16). Faber left the Westinghouse Company and spent some time investigating possibilities. He obtained financial backing from a man by the name of Tomlin, hired a building and purchased the necessary machinery. Subsequently O'Connor left and joined them in the business (pp. 17, 18). Tomlin put up \$7,500, and Faber and O'Connor gave him notes for their share of the amount (p. 20). The three parties were thus interested share and share alike and the concern started as a straight-out partner-

ship, although it traded under the name of the Formica Products Company (p. 13; also p. 19). Afterwards the concern was incorporated under the name of the Formica Company with a capital of \$15,000, the stock being equally divided between the three persons above-named (p. 20). The present capital of the defendant Company is \$75,000 (p. 14). Faber and O'Connor each still own about one-third of the stock. The remaining third is owned by Wallace and Best, who are directors, and the widow of Tomlin (p. 12). Faber was from the beginning the leading spirit (p. 17), is President of the Company and the inventor (p. 20). O'Connor concerns himself generally with sales and is Vice-President (pp. 15, 16). No important action is taken without referring the matter to the Board of Directors (p. 13).

From the very beginning in 1913 the business of the concern has been the manufacture and sale of laminated products having a phenolic condensation binder. The first articles made were commutator rings which were "non-planiform" articles formed in moulds (p. 20). The concern has continued to manufacture such articles, and other non-planiform articles, as well as flat plates, openly and with the knowledge and acquiescence of the Westinghouse Company from the beginning in 1913 down to the time this suit was brought. Indeed, the relations between the two concerns were very friendly until the defendant began to sell laminated material for the manu-

facture of gears (Faber, p. 22; O'Connor, p. 35). The Westinghouse Company then brought suit against the defendant under the Conrad patent, which was heard by the Court of Appeals and resulted in a decree for the defendant (*Westinghouse Company vs. Formica*, 272 Fed. 666). That case was decided in the District Court adversely to plaintiff on July 3, 1920 (270 Fed. 632), and immediately thereafter, on July 6, 1920, this suit was brought (Complaint, p. 5), as was also the suit on the Haefely patent (Appeal No. 3716) and the suit on the Wright patent (Appeal No. 3697), all decided adversely to plaintiff.

Having shown that the defendant has been continuously and openly and with the knowledge of the Westinghouse Company manufacturing and selling the non-planiform articles now complained of from 1913 to 1920 with the tacit consent of the Westinghouse Company, we shall turn to the consideration of the history of the application for the patent in suit.

We have already pointed out that the application as filed, and when it was assigned to the plaintiff, contained no claims based on a distinction between flat plates and "non-planiform" articles. It did contain as filed certain claims for articles of manufacture, but all such claims were erased before the application was allowed. The only process claim in the original application broad enough to cover defendant's articles now complained of reads as follows:

"6. The process of manufacturing insulating material which consists in superposing layers of coated paper and applying heat and pressure thereto."

This claim was clearly met by the prior Baeke-land Cardboard Patent (p. 114) and was rejected on it by the first office action and was erased by the first amendment. It was met, also, by the Haefely Shellac Micarta process which was in use at the Westinghouse plant before O'Connor became an apprentice; and by certain Haefely patents, for example, see line 103, p. 88. All the other process claims as originally filed were limited to the O'Connor two-step process—that is, heating twice, or heating and cooling under pressure. The only process described in the specifications is a two-step process as distinguished from the earlier Baeke-land one-step process. This we shall show later was the whole of O'Connor's contribution to the art, which it is admitted defendant has never used.

As we have said, these specifications were prepared by the legal department of the Westinghouse Company and after they were executed O'Connor never saw them again. He was never consulted in connection with the prosecution of the application. He was never requested to, and never did, sign any supplemental oath (p. 32).

The Rules of Practice of the Patent Office provide:

"5. The assignee of the entire interest of an invention is entitled to hold correspondence with the office to the exclusion of the inventor."

The file wrapper and contents of the O'Connor patent show (pp. 134 to 202) that the Westinghouse Company availed itself of all the delays permitted by the Statutes in the prosecution of the application. The dates of the actions by the Office and the attorneys for the Westinghouse Company are as follows:

	February 1, 1913—Application filed.
One year.	{ September 17, 1913—Office action.
	{ September 17, 1914—Amendment.
One year.	{ November 7, 1914—Office action.
	{ October 26, 1915—Amendment.
One year.	{ November 13, 1915—Office action.
	{ November 10, 1916—Amendment.
	November 14, 1916—Office action (final).
	February 8, 1917—Amendment (first introducing "nonplaniform" claims).
	February 21, 1917—Office action.
	April 26, 1917—Amendment.
	May 14, 1917—Office action.
	August 16, 1917—Appeal.
	March 29, 1918—Board decision.
Six months.	{ April 18, 1918—Allowance.
	{ October 18, 1918—Final fee paid.

The first appearance of claims based on a distinction between flat plates and "non-planiform" articles was February 8, 1917, after the case had been finally rejected and after the defendant had been, with plaintiff's acquiescence, making and selling the articles now complained of for a period of nearly four years. No notice of adverse claim under the patent was given until 1920, when this suit was started—approximately

seven years after the defendant had been, with full knowledge of plaintiff, making and selling the articles now complained of. Notice of adverse claim was only made after defendant asserted its right to manufacture and sell laminated material for the manufacture of gears, and after the Court had affirmed that right (p. 22).

Estoppel as against an assignor to deny the validity of the patent assigned grows out of the relationship between the seller and the buyer of a patent. In other words, the law says it is not fair to allow a man who has sold to another something for a valuable consideration, to deny that it has any value at all. This is the foundation of the doctrine of estoppel between the assignor and the assignee of a patent. But in this case, O'Connor was never in the position of a seller. Hence, the equities which attach to that position never arose. He was an employee. He considered that he was morally bound to disclose and assign to the Westinghouse Company inventions made by him in the line of his employment.

We say, therefore, that as the relationship of seller and buyer never existed between O'Connor and the Westinghouse Company, such estoppel as would grow out of such relationship never existed.

We can cite no authority in support of this contention because similar facts have never, so far as we know, been presented to a Court. We rest our argument on fundamental principles. Under the circumstances, this Court, at any rate, will not be

embarrassed by prior decisions in deciding this case on these principles if it believes, as we believe, that they are sound.

Counsel for plaintiff meet our contention by saying that the estoppel in this case is by deed and not *in pais*, and that equitable considerations are out of place.

It is true that Walker on Patents, Sec. 469, speaks of it as estoppel by deed and that it is spoken of as such in some of the decisions. The facts, however, are that the property conveyed is personal and incorporeal (not real); that the writing conveying title is not, or need not be, under seal; and it is not contended that the conveyance in this case contains words of warranty. Whatever loose language may be found in textbooks or decisions, a consideration of the subject will show that the estoppel does not grow out of the writing by which the title is conveyed; that the writing is an immaterial incident. The estoppel grows out of the relationship existing between seller and buyer; and is, therefore, properly speaking, an estoppel *in pais*.

The earliest case in this country dealing with this subject which we have found is *Faulks vs. Kamp*, 3 Fed., 898, decided by Wheeler, J. Holding that an assignor of a patent is estopped to deny its validity, he cites as authority the English case of *Chambers vs. Critchley*, 33 Beav., 374, and says:

“Every seller of personal property impliedly warrants that he has title to and right to sell what he assumes to sell.” * * *

"It is argued for the defendants that as the conveyances were of the right, title, and interest of the grantors, the warranty would only extend to whatever right they might have which passed, and that the warranty was kept. But the conveyances were made to carry out the sale in the manner required by law for passing the title, and the warranty *grew out of the sale and not out of the form of the conveyance.*" * * * "But the rights of the orators do not rest upon the estoppel merely; they rest upon the *purchase*, which must operate so that the orators may have what they bought, and so that the defendants shall not both *sell and keep* the same thing."

Thus, we see that in the earliest case in this country the estoppel was regarded as *in pais*, and in few cases since that time have the courts paid much attention to the technical character of the estoppel.

See, also,

Onderdonk vs. Fanning, 4 Fed., 148 (1880).

Consolidated Middlings Purifier Co. vs.

Guilder, 9 Fed., 155 (1881).

Underwood vs. Warren, 21 Fed., 573 (1884).

Time Telegraph Co. vs. Carey, 22 Blatch., 34 (1884).

American Paper Barrel Co. vs. Laraway, 28 Fed., 141 (1886).

Furthermore, since the assignment was of a pending application, in which claims 11 and 12 were not inserted until four years after the date of the as-

signment and without the knowledge of O'Connor, if estoppel exists against O'Connor, we submit that it does not extend to these claims.

There is another point presented by the facts of this case which has never before been before the courts so far as we know. If the estoppel is by deed, can it be possible that the assignee can alter the terms of the deed in a material respect and hold the assignor estopped by the changed description of the property assigned?

In answer to this it may be contended that the application as originally filed contained claims broad enough to cover the non-planiform articles now complained of. This is true in one sense, but it is not true in another sense. It is true that as filed the application contained certain claims to articles of manufacture (see claims 1, 2, 3, 4, p. 141), which claims were broad enough to cover any insulating material made of paper and Bakelite and, therefore, broad enough to cover the articles now complained of. But all these article claims were rejected and erased. The patent as issued contains *only process* claims. It is true that the application as originally filed did contain one process claim (claim 6) which was broad enough to cover the making of any insulating material consisting of layers of coated paper united by heat and pressure and, therefore, broad enough to cover the process now complained of; but this claim was met not only by Shellac Micarta articles which the Westing-

house Company had been making and selling in large quantities years before the application was filed (of which the Patent Office had no knowledge); but it was directly met by the Baekeland Cardboard patent (p. 114) and was rejected on that patent by the first Office action and was erased by the first amendment. Thus, the Westinghouse Company acquiesced in the Examiner's ruling, and recognized the Baekeland patent as an anticipation of the rejected claims. Moreover, there is no room to argue that Q'Conor ever represented that there was any invention in pressing in non-planiform shape that which had previously been pressed in planiform shape. This was something put forward by the Westinghouse attorney some four years after defendant engaged in the manufacture of non-planiform articles, with the knowledge and acquiescence of plaintiff. Such claims introduced a new theory of invention into the case—one to which O'Conor never subscribed and as to which he gave no supplemental oath. Again, the application as filed did not contain any *allowable* claim covering the articles now complained of. After the process claim above referred to was erased, the application did not contain any process claim covering the articles now complained of until February 8, 1917, when claims 11 and 12 were inserted (p. 162)—that is, about four years after defendant's predecessor had placed on the market the articles now complained of.

Besides, these claims 11 and 12 contain what is

substantially new matter, because they are the first claims in the case which were directed to the manufacture of "non-planiform" articles as distinguished from flat plates and include the use of a process not described—to wit, the Baekeland one-step process. *Before the introduction of these claims there was nowhere to be found either in the specifications or the claims the assertion that a feature of novelty consisted in the shape of the article produced irrespective of the process employed in making it.* This constitutes "new matter," or a "different invention," under the decisions. The test of what is the same or what is a different invention, in legal contemplation, is to be found in the cases on reissue patents with which we are all familiar. The "same invention" is whatever invention was described in the original letters-patent, and *appears therein to have been intended to be secured thereby.*

Walker on Patents, 5th Ed., Sec. 233, and cases there cited.

If the patent in suit had issued containing only the first ten claims and had been reissued to add claims 11 and 12, we submit that the reissue would be condemned by the Courts as involving a different invention from that claimed in the original.

This case is not, therefore, one in which only amendments to be expected in the prosecution of the application were made. It is one in which a substantially dif-

ferent invention was introduced during the prosecution. There was, therefore, a material change in the description of the thing assigned after the assignment was executed.

It would be unjust and inequitable in the extreme to allow plaintiff to wrongfully introduce invalid claims without the knowledge or consent of O'Connor and thus put into his mouth an assertion of validity which he never made, and then hold him estopped to deny validity.

Courts look with disfavor upon the broadening of an application during its pendency in the Patent Office.

The doctrine is stated in the early case of *Carlton vs. Bokee*, 17 Wall., 463; 21 L. Ed., 517. In that case this Court said:

"We think it proper to reiterate our disapprobation of these ingenious attempts to expand a simple invention of a distinct device into an all-embracing claim calculated by its wide generalizations and ambiguous language to discourage further invention in the same department of industry and to cover antecedent inventions."

The foregoing case related to a reissued patent, but the principle is the same in any case. In *Chicago & N. W. R. Co. vs. Sayles*, 97 U. S., 554; 24 L. Ed., 1053, this Court said:

"It will be observed that we have given particular attention to the original application, drawings and models filed in the Patent

Office by Thompson and Bachelder. We have deemed it proper to do this, because, if the amended application and model, filed by Tanner five years later, embodied any material addition to or variance from the original—anything new that was not comprised in that—such addition or variance cannot be sustained on the original application. The law does not permit such enlargements of an original specification, which would interfere with other inventors who have entered the field in the meantime, any more than it does in the case of re-issues of patents previously granted. Courts should regard with jealousy and disfavor any attempts to enlarge the scope of an application once filed, or of a patent once granted, the effect of which would be to enable the patentee to appropriate other inventions made prior to such alteration, or to appropriate that which has, in the meantime, gone into public use.”

Counsel for plaintiff have very ably reviewed the estoppel cases in the several circuits and have fairly stated the rule for each circuit. The point where we dissent from the conclusions of counsel is where they undertake to say that the estoppel is by deed or necessarily by deed.

The doctrine of estoppel with respect to patents and applications is subject to great abuse. It seldom happens that the patentee-assignor simply acts under the cloak of a corporation, as an *alter ego*, to carry on an infringement. Usually, innocent

third parties become involved. The patentee may be a minority stockholder and altogether a minor factor in the management of the company charged with infringement.

Courts of equity rightly seek to tear away the cloak which hides a subterfuge. This tendency to insist upon a very high plane of dealing sometimes leads to great injustice, however.

For illustration, A, having knowledge of a known embodiment of an invention, devises another specific embodiment, upon which only specific claims can be properly allowed; A assigns the application to B, and B obtains a claim, which, if broadly construed, is invalid, but if narrowly construed is valid.

A then acquires an interest in an invention of C and D, which is in the nature of a distinct specific embodiment of the same old and well-known generic invention. Under these circumstances, A, C and D embark in the business of manufacturing the form of device to which they are justly entitled and which is entirely distinct from the actual invention transferred by A to B.

Under these circumstances, one would naturally assume that B, being the possessor (actually) of a specific patent, the invention described in which has not been taken by the competing parties, could not sustain a suit. But in the Seventh Circuit the Court of Appeals has said that the file-wrapper and the prior art cannot be used to explain the meaning of B's patent or what it properly covers.

It is true that in the Sixth Circuit the rule is otherwise. This aside, there is danger in some circuits, not only that A, morally and legally correct in his actions, but also C and D, not at all privies to the first transaction, may be enmeshed in the quicksands of an unexpected estoppel; for, apparently, in these estoppel cases, the courts often act on the theory that it is better than many innocent parties should suffer than that one guilty party should escape. A beneficent principle of equity easily is perverted into a dangerous means for oppression.

In the instant case, the young apprentice, O'Connor, working for the Westinghouse Company for a pittance and not under contract to assign, gives it the fruit of his mind, the two-step process described in the patent and covered by the first ten claims of the patent.

O'Connor, the apprentice, did not presume to represent that he had made an invention which he proposed to sell to the Westinghouse Company. He simply prepared the specifications of the process for the Manufacturing Department; and then, in accordance with a rule existing at the Westinghouse plant, he furnished a copy of those specifications to the Legal Department of the Westinghouse Company. That department passed upon the question of the possibility of securing a patent. It prepared the application and drafted the claims. In effect, it represented to O'Connor that the process probably was patentable.

There never were the elements of an estoppel as

against O'Connor. He never represented to the Westinghouse Company that he had a valuable invention upon which could be procured a broad, valid patent. The Westinghouse attorneys determined that for the company; they wrote the claims.

If, under such circumstances, O'Connor could be estopped with respect to all claims inserted in the application by the Westinghouse patent attorneys, it would be a simple matter to dispose of O'Connor for twenty years as a possible competitor in the field of insulation. For one not versed in patents, one relying upon the attorneys to draft the claims, might readily be led into signing an application containing claims covering old products and processes. As a matter of fact, the original application did contain one or more claims (see original claim 6, p. 141) which were broad enough to include the Haefely process (for paper and shellac), which had been in use previously for a number of years at the Westinghouse plant.

Doubtless O'Connor, seeing in the specification a description of the two-step Bakelite Micarta process upon which he had worked, assumed that this was what the application covered and all that it covered. At any rate, it is safe to say that if anyone was misled, it was not the Westinghouse Company's able Patent Department; and it is safe to say that the company's Patent Department did not require and did not receive representations from O'Connor as to what might be patented.

As has been stated, claims 11 and 12, unless limited to the two-step process, predicate invention upon the mere matter of form in which the product is pressed. Such a theory of invention was not in the application executed by O'Connor. It was a theory adopted by the Westinghouse attorneys more than four years after the application was filed and some four years after the Westinghouse Company knew that defendants were using a process which would be included within the scope of such claims, if broadly construed.

III. Even if O'Connor be Estopped, the Corporation Defendant is Not Estopped.

But if O'Connor individually is estopped, we contend that the corporation defendant is not estopped.

In every case we know of in which a corporation has been held to be bound by the estoppel of an assignor, the corporation has been either

(1) substantially a mere cloak for the assignor—that is, the assignor or his dummies substantially owned or controlled it; or

(2) the corporation or partnership was gotten up for the purpose of escaping estoppel.

There is unquestionably authority for the proposition that where a corporation is a mere cloak of the assignor or where the assignor is the party chiefly interested in it, or where a corpora-

tion is formed for the purpose of infringing and to escape the estoppel, even if the assignor is not a stockholder in it, the estoppel will run against the corporation. Such are the cases cited in plaintiff's brief. The reasons for these decisions is tersely stated by Judge Lowell in *Mellor vs. Carroll*, 141 Fed., 992, cited in plaintiff's brief as follows:

“Were this not true, then any estopped assignor could escape the effect of his estopped by incorporating himself and securing for his corporation a single *bona fide* stockholder for value.”

It is equally true, and for the same reason, that the mere fact that an assignor is connected with the corporation, even if he be a stockholder and a director, does not necessarily make the estoppel run against the corporation.

But in this case O'Connor never controlled the defendant corporation and has never owned a controlling interest in it. Faber, its president, formed the company, secured all the cash capital put in it, bought the machinery, rented the factory before O'Connor joined him, invented such machinery as it has developed, and from the beginning has been the controlling spirit. O'Connor has never owned, directly or indirectly, more than a minority interest; to wit, about one-third. Therefore, this certainly is not a case in which the corporation is substantially a mere cloak for the assignor.

Plainly the corporation was not gotten up for the purpose of escaping estoppel. As we have shown, allowable claims broad enough to cover the acts of defendant now complained of were not introduced in the application until four years after the defendant corporation, or its predecessor, was formed and had placed on the market the product now complained of. Neither O'Connor nor the company had any knowledge of, or reason to believe that such claims as claims 11 and 12 would be solicited until the patent issued in 1918—five years after the acts complained of had been continuously performed. The corporation could not, therefore, possibly have been formed with a view to escaping estoppel.

On the other hand, it is possible that the plaintiff, having knowledge of what defendant was doing openly and notoriously, inserted these claims in the application for the purpose of obtaining an advantage over defendant by means of an estoppel.

IV. Non-Infringement.

But even if defendant is estopped to deny the validity of claims 11 and 12, it is not estopped from construing them in the light of the specifications and the prior art to determine what construction must be placed on them.

The Court of Appeals for the Sixth Circuit said in *Noonan vs. Chester Park Athletic Club*, 99 Fed., 90:

"Without deciding, we shall, for the purposes of this case, assume that the corporation is affected by the estoppel which prevents Thompson from denying the validity of the patents which he has assigned, and applied to it the same principles which would affect him if he were the sole defendant. It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty, or utility, or because anticipated by prior inventions. But this estoppel, for manifest reason, does not prevent him from denying infringement. To determine such an issue, it is *admissible to show the state of the art involved*, that the court may see what the thing was which was assigned and thus determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against an infringer."

and the Court said further:

"The court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation which will be applicable between the patentee and a stranger."

The same rule was followed by that Court (Judges Lurton, Severens, and Warrington) in

the case of *Babcock and Wilcox Co. vs. Toledo Boiler Works Co.*, 170 Fed., 81, in which the following language is used:

“The estoppel is one limited in character, and such an assignor, when subsequently sued for infringing the assigned patent, may show the state of the art for the purpose of limiting its scope.”

And in the case of *United States Frumentum Co. vs. Lauhoff*, 216 Fed., 610, that Court indicated again that the assignor may litigate the scope of his patent and have it judicially construed according to its true extent, but that the Courts will not unnecessarily construe it so narrowly as to make it worthless. The Courts have not expressly passed upon a case like the present one, where the real invention is covered by 10 claims, the validity and scope of which are not in question. This Court, and no other Court, so far as we are aware, has ever passed upon the question of whether the rule of estoppel is satisfied where the real invention set forth in the patent is not attacked, but invalid claims, not based upon the real invention, are attacked.

In the still later case of *Schiebel Toy & Novelty Co. vs. Clark*, 217 Fed., 760, the Court of Appeals for the Sixth Circuit again reiterated the doctrine of the Noonan case, saying (p. 763):

“It follows that Clark is estopped from denying validity of the patent either for

lack of novelty or utility or by reason of anticipation through prior inventions; but this does not prevent him from denying infringement. In aid of the denial of infringement, Clark may invoke the prior art; for the effect of this is simply to define the thing sold and so to ascertain definitely whether it has been infringed or not."

This is the recognized rule in the Third Circuit also (see *Roessing-Ernst Co. vs. Coal & Coke By-Products Co.*, 219 Fed., 898; C. C. A., 3d Cir.).

And on the question of whether defendant company can be held estopped in case there is an estoppel against O'Connor with respect to Claims 11 and 12, we may quote what was said by the 4th Circuit Court of Appeals in the case of *Leader Plow Co. vs. Bridgewater*, 237 Fed., 376:

"At least, the facts were sufficient to put upon the defendant corporation the burden of showing that other innocent third parties were interested in the corporation and controlled it."

The foregoing case was one in which the assignor was estopped. In that case, the defendant company was operating under a license from plaintiffs' assignor, and the corporation, the court found, was acting under authority from the assignor, Thomas, and under his general direction as manager.

In the instant case, it does appear that innocent third parties are interested in and control the de-

fendant corporation. It appears from the record that O'Connor is a minor stockholder, that Faber was the moving spirit in organizing the defendant company, that he procured the capital, that he rented the factory, that he purchased the machinery, that he has been the president of the company from the outset, that he has been the company's inventor, and that Faber and Tomlin, who between them owned two-thirds of the stock, were free from estoppel. The defendant company could not have been organized to avoid an estoppel with respect to claims 11 and 12, because at that period there were no claims in the O'Connor application based upon the theory that there could be any invention in pressing in non-planiform shape that which had previously been pressed in planiform shape.

Claims 11 and 12 on the Face of the Patent are Limited to the O'Connor Two-step Process Which Defendant Has Never Used.

The patent in suit on its face shows that claims 11 and 12 must be limited by implication to the two-step process of O'Connor, because that is the only process which is described in the specification. The specifications afford no foundation for claims not limited to that process.

Claims 11 and 12 purport to cover any and every process of making anything and everything of Bakelite Micarta which is "non-planiform"—in simple English, anything and everything which is *not flat*. The process of making a flat thing is pre-

cisely the same as the process of making a round thing, or a curved thing, or an angular thing. The only difference is in the shape in which the composite material is piled up or wound up, and the shape of the press used in the curing process; and the change in the *shape of the article and the shape of the press* obviously does not effect a change of process.

While it is true that in terms neither of the claims relied on are limited to the two-step heating process of O'Connor, such a two-step heating process is the only process described in the specifications, and we say that these claims must be by implication limited thereto. No rule is better settled than that the claims and the specifications of a patent must be read together. These claims, if they had been annexed to the Baekeland Cardboard patent, would have been broad enough to cover the manufacture of a non-planiform article by the one-step heating process. But we say that annexed to the specifications of the patent in suit, they are by implication limited to the only process therein described, which is a two-step heating process.

The only alleged basis for these claims is the passage of the specifications (p. 2, l. 9 to 15) which we will quote again.

“While the *process above described* is that used for making *plates*, the insulating material may be produced in the form of *channel pieces or tubes that are cylindrical or rectangular in cross section or of other shape*, as desired, by pressing in forms of the proper shape.”

There is literally no suggestion here that these non-planiform articles may be made by any other process than that described in the preceding part of the specification, which is the two-step heating process. *What is said here, and all that is said here, is that "THE PROCESS ABOVE DESCRIBED" (the two-step process) may be used for making other shapes than flat plates.* That would have been evident without saying it. It is evident from the face of these specifications that the process to be employed in making non-planiform articles is the same as the process for making the flat plates, the only difference being in the form in which the composite material is made up and in the form of the press used, which is obviously not an element or step of process. There is, therefore, no basis in these specifications which will support any construction of a process claim contained therein which does not employ the essential features of the only process described in the specifications.

The mere fact that the claims on their face say nothing about the two-step process makes no difference. When read with the specifications they are limited to it.

This Court in *Westinghouse vs. Boyden*, 170 U. S., 537 (568), said, speaking by Mr. Justice Brown:

"But even if it be conceded that the Boyden device corresponds with the letter of the Westinghouse claims, that does not settle conclusively the question of infringement. We have repeatedly held that a charge of infringement is sometimes made out, though

the letter of the claims be avoided (citing cases). The converse is equally true. The patentee may bring the defendant within the letter of his claims, but if the latter has so far changed the principle of the device that the claims of the patent, literally construed, have ceased to represent his actual invention, he is as little subject to be adjudged an infringer as one who has violated the letter of a statute has to be convicted, when he has done nothing in conflict with its spirit and intent."

The Court of Appeals for the First Circuit in *Edison vs. American Mutoscope & Biograph Co.*, 151 Fed., 767, speaking by Judge Lacombe, said (p. 773):

"The language, even of the reissued claims, considered by itself and giving no force to the words, 'substantially as set forth,' may be broad enough to cover it; but that is not sufficient. 'Infringement should not be determined by a mere decision that the terms of a claim of a valid patent are applicable to the defendant's device.' Two things are not precisely similar because the same words are applicable to each. The question of infringement involves considerations of practical utility and of substantial identity, and therefore must be quantitative as well as qualitative."

The above inner quotation was taken from the decision of Judge Brown in *Goodyear Shoe Machinery Co. vs. Spalding*, 101 Fed., 990.

In *General Electric Co. vs. Allis-Chalmers Co.*, 178 Fed., 273 (276), the Court of Appeals for the Third Circuit said:

“The mere fact that the defendant’s device may be within the letter of the claim sued on is not conclusive proof of infringement. This is shown in the opinion of Judge Cross in the court below (171 Fed., 666). We concur in the conclusion expressed by him in that opinion.”

What Judge Cross said in the opinion referred to was (171 Fed., 669):

“The fact, however, that the defendant’s device may be within the language of the claims does not of itself prove that it is an infringement. Infringement is not a mere matter of words.”

In View of the Baekeland Cardboard Patent Claims 11 and 12 Must be Read as Limited to the Two-step Process.

If these claims 11 and 12 should be read as covering what defendant does—*i. e.*, make “non-planiform” articles by the old Baekeland one-step process, then they would be in terms anticipated by the Baekeland Cardboard patent (p. 114).

The Baekeland Cardboard patent first describes making flat plates of composite cardboard. It says the sheets are coated with Bakelite, dried and arranged in a pile. It continues (lines 48 to 65):

"The desired number of sheets having been assembled, the composite article is compacted by pressure, with or without the aid of heat. Heat is now applied in order to effect the transformation of the condensation product into an insoluble and infusible body. The heat may be applied during the operation of pressing or compacting the composite body, or at a subsequent stage of the process; or it may be applied partly during the pressing operation, and continued during subsequent stages. The pressed articles may be heated gradually in an oven, starting at relatively low temperatures, say 40 degrees C. to 80 degrees C., and gradually increasing to higher temperatures, for instance, 100 degrees C. to 140 degrees C., the increase in temperature being so gradual as to avoid the formation of blisters or other irregularities."

Having finished the description of the manufacture of flat plates, the specifications continue as follows (line 66):

"Instead of superposing a number of separate sheets, the liquid condensation product may be applied to a continuous sheet or web, which is then *rolled upon itself into the form of a tube*, suitable mechanical devices being used. The tubes thus formed may be used as such *after being subjected to the hardening operation*, or they may be cut and straightened into composite sheets before hardening, according to the use for which they are intended."

What is the "hardening operation" to which these tubes are to be subjected? Manifestly, it is the hardening operation previously described—that is to say, subjecting them to heat while they are *held in a press of suitable form*. That is precisely what defendant does, and it does, in the act complained of in this case. If claims 11 and 12 of the patent in suit are broad enough to cover the manufacture of such articles as defendant's tubes complained of by the one-step heating process described by Baekeland in his Cardboard Patent, they would be anticipated by that patent.

The charge of infringement is based on plaintiff's Exhibit No. 2 which is a piece of tubing. This tubing was made exactly as described in the Baekeland Cardboard patent in the passage therefrom above quoted; that is to say, the condensation product was applied to "a continuous sheet or web, which was (is) then rolled upon itself in the form of a tube" and the tube was "subjected to the hardening operation" in a press of cylindrical form by the one-step curing process described in said Baekeland Cardboard patent.

In view of this prior Baekeland Cardboard patent, to be valid claims 11 and 12 must, therefore, be limited by implication to the two-step heating process described in the specifications of the patent in suit; and when so limited, they are valid but are not infringed, for what defendant does, and all it does, is to practice the Baekeland one-step heating process.

ess in the manufacture of "non-planiform" articles in precisely the manner above described.

In View of the Prior Manufacture by Plaintiff of Shellac Micarta, Claims 11 and 12 Must be Read as Limited to the Two-step Process.

Furthermore, not only flat plates, but non-planiform articles of various shapes, including tubes, were, long prior to the date of the application for the patent in suit, made up of layers of paper and *shellac* and completed in heated molds of suitable shape. This was the Shellac Micarta made by the Westinghouse Company long before it used Bakelite in manufacturing the same articles. It is admitted that prior to the date of O'Connor's application, the Westinghouse Company was making these "non-planiform" articles of Shellac Micarta (p. 34; see also Exhibits 6^s, 6^B, 7^s, 7^B, 9, 10, 11, pages 28 to 29). It is admitted that when Bakelite came on the market, it simply substituted Bakelite for shellac in the manufacture of such articles. Moreover, the Court can turn through the prior patents at random (p. 40), and find repeated instances of non-planiform molding of laminated products.

Invalidity of Claims 11 and 12 if Not Limited by Implication to the O'Connor Two-step Process.

We admit the validity of each and all of claims 1 to 10. These are the claims which cover

the O'Connor two-step process and these claims the defendant has always respected. Claims 11 and 12, moreover, may be upheld, if limited to the novel two-step process, in accordance with the rule which permits a limited construction to save a claim, especially where the only invention which is set forth in the application in view of the recognized art is the two-step heating process. But whether these two claims can be upheld or not, the rule of the Court of Appeals for the Sixth Circuit, stated in *United States Frumentum Co. vs. Lauhoff*, 216 Fed., 610 (at 613), is satisfied, we submit, if the patent is construed according to its true extent in view of the prior art, since the real invention is preserved intact.

We have shown that if claims 11 and 12 are not limited by implication to the O'Connor two-step process, they are invalid, because (1) there is no foundation laid for them in the specifications; (2) they are devoid of patentable subject-matter in view of the prior practice in the manufacture of "non-planiform" articles of shellac Micarta; (3) they are anticipated in terms by the Baekeland Cardboard Patent.

It is true that these claims were obtained on appeal to the Board of Examiners-in-Chief (pp. 197, 198); but the Board did not have before it the Baekeland Cardboard Patent No. 1,019,406. The only patent it had before it was the Baekeland Wood-Finishing Patent No. 1,019,408 (p. 116), which describes an essentially different product.

The Primary Examiner did not call the Board's attention to the Cardboard patent, although he had it before him, for the reason, doubtless, that he overlooked the passage in it describing the making of "non-planiform" articles which we have quoted above. This oversight on the part of the Primary Examiner deprives the decision of the Board of the weight which it might otherwise have.

Furthermore, we have shown that claims 11 and 12, if broadly construed, incorporated into the specifications matter substantially different from anything theretofore described therein, to wit, "*non-planiform*" articles *made by the one-step heating process of Baekeland*. Such claims were not covered by the original oath and required to support them a supplemental oath. No supplemental oath was filed and, therefore, the patent as to these claims is invalid, unless the claims be held limited.

Steward vs. American Lava Co., 215 U. S., 161.

The Court of Appeals for the Sixth Circuit in *Michigan Central Company vs. Consolidated Car Heating Company*, 67 Fed., 121, said:

"By Section 4892 of the Revised Statutes the applicant is required to make oath that he believes himself to be the original inventor of the improvement for which he solicits a patent. Cody made such oath on making his original application, but did not make oath in respect to the matter brought

in by the amendment. No doubt, it is competent to amend the specifications while the application is pending, so long as it is done within the scope of the original application; but it is not competent under color of this privilege to introduce new matter."

Inasmuch as O'Connor's original application never was based upon any claim of invention for pressing in non-planiform shape what had previously been pressed in planiform shape and the paragraph in the original specification with regard to non-planiform shapes amounted to nothing more than a statement that the claimed invention could be practiced in making a non-planiform as well as a planiform shape, it follows that O'Connor never made oath to the effect that his invention covered the making of a non-planiform article as distinguished from a planiform article. Furthermore, inasmuch as the Westinghouse attorney acquiesced in the rejection of the broad claims on prior art patents, plaintiff is in no position to assert that any portion of the supposed invention of claims 11 and 12 resides in the broad idea of forming a laminated product of paper and bakelite. The distinction of these two claims over the prior Baekeland patent (recognized as anticipatory) was one of form only—merely a matter of the shape of the mold plates used in the pressing operation—and as to claims 11 and 12, O'Connor never represented or made oath that invention lay in the mere matter of selecting a shape of pressure-plates. Hence, he

should not be held estopped by an act which was that of plaintiff only.

Thus, it appears that claims 11 and 12, unless limited to the two-step heating process, are open to the two-fold objection that they were put forward by the attorney for the assignee, under a *changed theory of invention*, and never by O'Connor, and that they never were supported by oath to the effect that O'Connor claimed it to be any part of his invention to press a non-planiform shape as distinguished from a planiform shape.

Necessity for Supplemental Oath.

Already, we have referred to the case of *Steward vs. American Lava Co.*, 215 U. S., 161, which is authority for the proposition that new matter, or claims based upon a new theory of invention, cannot be put forward in an application. The court said in that case, with reference to the applicant (p. 168):

"He made no claim for a process and disclosed no invention of a device. This being so, the amendment required an oath that Dolan might have found it difficult to take, and for want of it the patent is void."

This court may recall that the Dolan patent of the foregoing case was before the Court of Appeals for the Sixth Circuit in the case of *American Lava Co. et al. vs. Steward et al.*, 155 Fed., 731; and that

court, notwithstanding the fact that the Court of Appeals for the Second Circuit had held the patent valid, was constrained to disagree with that court. The Court of Appeals for the Sixth Circuit said (p. 736):

“Was the amendment of the application in the Patent Office on May 18, 1897, *whereby a new theory of the invention was introduced without a new verification*, and in the circumstances shown by the record, authorized by law? * * * *In April, 1897, a new attorney was employed, who seems to have been more astute than the applicant.* At all events the theory was then conceived that the introduction of the air by a series of ducts around the gas jet would envelop the jet, and that both would pass in that form to the place of combustion whereby the contact of the gas with the orifice of the burner would be prevented. *This new conception was not a conception of Dolan's. If there was invention in it, it was not his.* * * * If the application as amended were to be constructed as embodying such an invention as is now claimed, *it was another and different invention from that for which the patent was originally sought, and, if an amendment having that consequence was permissible, it should have been verified by the oath of the inventor.*”

See also the citations in the foregoing case. Also, see *Eagleton Mfg. Co. vs. West, Bradley &*

Cary Mfg. Co., 111 U. S., 490; also *Kennedy vs. Hazelton*, 128 U. S., 667.

The Doctrine of Estoppel Should Not be Unduly Extended.

In none of the numerous estoppel cases pertaining to patents, so far as the decisions indicate, has any federal court considered carefully, on principle, whether the assignor of a patent should be held, in the absence of a covenant, to warrant the validity of the patent, as distinguished from the title.

The doctrine that the assignor is estopped to deny validity as well as title has grown up in the District Courts and the Courts of Appeals throughout the country. The rule may easily lead to the grossest inequity, we submit, if carried to extremes. Therefore, the rule should be exercised with great discretion, and every care should be taken to confine its operation to cases where the circumstances equitably warrant its use; and its operation should not extend to corporations controlled by innocent third parties.

What we state here is mainly in support of the proposition that the doctrine of estoppel should not be unduly extended. Indeed, just as this court has established the general rule (in the shopright cases) that an employe's invention shall not be taken from him in the absence of actual agreement, since the allowance of a shop-right usually satisfies

the existing relationship, so it would seem that it would be a wholesome rule to hold that, if the vendee desires something more than whatever title the vendor possesses in a patent which is only *prima facie* valid, in other words, to be substituted as owner of the patent, then the vendee should exact a covenant warranting validity. We apprehend that only in very rare cases would the patent vendor knowingly give such a covenant.

Patents are granted often without full knowledge of prior patent art, prior publications, prior use; and while the patent is *prima facie* valid, it may be held invalid, under the law. In the absence of express warranty of validity in the instrument of assignment, it may be doubted whether the vendor warrants more than that he has title. Warranty of title is always implied in a sale; but the general rule is that there is no implied warranty of quality. If A owns a patent and sells it to B, what he transfers is a franchise or government grant to exclude the public from a certain field, provided the patent (*prima facie* valid) is not in fact invalid for lack of invention or novelty. In the absence of a warranty of validity by A in the assignment, why should B expect more than that he is receiving good title to a patent which is *prima facie* valid? In other words, why should B, in the absence of express warranty, expect more than that he is being placed in the position of A, the vendor, as the owner (with impliedly warranted title) of a patent which is *prima facie*

valid? Still otherwise expressed, why should not there be a presumption that the parties, in the absence of express warranty of validity, contracted with knowledge of the law that a patent is only *prima facie* valid?

That there is no implied warranty of the validity of a patent was held in the case of *Gilmore vs. Aiken*, 118 Mass., 94, quoted above. Also, see decision of C. C. A. in instant case; also

Hall vs. Conder et al. (Appendix).

Conclusion.

1. Plaintiff is estopped by reason of its acquiescence in the course followed by defendant. Plaintiff stood by from the outset and watched the initiation and building up of a business; saw the investment of capital, the expenditure of years of time, and the assiduous application of energy and talent to the establishment of such business, not only by O'Connor, but by Faber and his other associates. This estoppel can never be overcome; the assent cannot be withdrawn after defendant has acted to its prejudice and taken the risk of the enterprise, with plaintiff's knowledge. Plaintiff is in no position to appeal to a court of equity under such circumstances. We submit that the decision of the District Court is in accordance with the soundest principles of equity.

2. O'Connor is not estopped because he never represented that any part of his invention lay in a mere change of form. There can be no sound reason why a court of equity should not take cognizance of all the facts surrounding the transaction. The Westinghouse Company, through its attorney, is the one who represented, if any one did, (as between the parties) that the process was patentable. The Company had the application prepared and secured the execution, not on O'Connor's representation to the company that he had made an invention which he wished to sell to the company, but rather on the judgment of the Westinghouse attorney that a patent could be procured; and on request, O'Connor executed the application, because he assumed that the legal department of the Westinghouse Company was competent to judge of the possibility of securing a patent and to draft the specification and claims. O'Connor was a mere apprentice, at a small wage; he received a nominal consideration of \$1 for the assignment. Really, the elements of estoppel as against O'Connor do not exist. O'Connor never made representations as to the extent of his invention, or even as to whether he had made an invention. He simply accepted, as a matter of course, the implied representation by the Westinghouse attorney that the subject matter set forth in the original claims was patentable.

But, if we assume (what is altogether unlikely under such circumstances) that it was O'Connor,

and not the attorney, who was determining what was patentable, it nevertheless is true that the original application contained no statement of invention in the specification, or in the claims, on mere matter of form; and since claims 11 and 12 (if broadly interpreted) were based upon a new theory of invention put forward by the attorney, these claims cannot stand in view of the cases pertaining to supplemental oath, *supra*, and the claims would clearly be invalid in view of other authorities. This is a further reason for our position that the claims, if upheld, must be restricted to the two-step process. Moreover, if the claims are based upon a new theory of invention (mere matter of form) put forward by the attorney some four years after O'Connor left the employ of plaintiff, the clearest principles of equity forbid that plaintiff should alter the deed, and then assert that O'Connor is estopped by the deed as altered. Here, another principle of estoppel enters, namely, that the assignee is estopped to deny that the original deed omitted any part of the property transferred.

3. No estoppel can run against the defendant company in any event. Mr. Faber was the moving spirit in forming the company and in building it up. O'Connor joined the enterprise after Faber had enlisted capital, rented a building, installed machinery, etc. There could have been no thought of organizing a company to evade estoppel with respect to claims which were not formulated until

four years later. Moreover, the enterprise was builded and carried on with the knowledge and tacit consent of plaintiff.

4. It was said by the Court (C. C. A., 1st Cir.) in the *Leader Plow Co.* case, *supra*, when considering the question of whether a corporation was bound by an estoppel under the particular circumstances of that case:

“At least, the facts were sufficient to put upon the defendant corporation the burden showing that other innocent third parties were interested in the corporation and controlled it.”

In the case at bar, it does appear from the evidence that Mr. O'Connor always has been only a minor stockholder; that others were interested in the enterprise before he finally determined to join it; that Mr. Faber has been the president and moving spirit from the outset; and that in no sense can the defendant company be regarded as a mere cloak for the operations of O'Connor to enable him to evade the effects of an estoppel.

5. It is respectfully submitted that the estoppel which was created by the acquiescence of the plaintiff in the course pursued by the defendant company throughout a period of years while the business of the defendant company was being established, is an insurmountable obstacle when plaintiff comes into a court of equity. The Court will not act to aid the plaintiff in such a case, since the

course pursued by plaintiff, with knowledge of the facts, was such as to lead the defendant to act to its prejudice by taking the risk incident to the establishment of an enterprise and expending years of time and effort, involving the risk of capital. It is submitted that the plaintiff, having enjoyed the exclusive use of O'Connor's actual invention, has no just claim to anything beyond that, and that the decree of the District Court, dismissing the bill for lack of equity, should be sustained.

As to the merits of the present case, we think that inasmuch as plaintiff's right to O'Connor's actual invention—the two-step process—never has been invaded, plaintiff has received all that it bargained for; and it follows that plaintiff is here seeking something more than it is entitled to and is invoking an estoppel to aid it to perpetrate an obvious injustice. It is a good illustration of the abuse of the estoppel doctrine—plaintiff has exclusive enjoyment of O'Connor's actual invention, the thing which he possessed an inchoate right to patent and the thing with reference to which alone the parties were dealing, and yet, apparently, the estimate which plaintiff's counsel place upon the doctrine of estoppel as thus far developed in patent cases, is that the doctrine can be employed as a from a general field which is open to all the world so far as plaintiff is concerned, and, further, that the doctrine can be employed to shut off a competing company which is controlled by innocent third parties and in which O'Connor is a minority stockholder.

Doubtless this court will readily find a way of protecting defendants, since it is clear that plaintiff has had, always, unmolested enjoyment of the *res* to which the transaction related. We venture to suggest that it would have a very wholesome effect were this Court to hold that where the patent contains claims directed to the actual invention and where the assignee's right to the actual invention is not invaded, the doctrine of estoppel cannot be invoked to enable the assignee to exclude the assignor from any field beyond the domain of the actual invention. For, whether this court takes the view that a vendor, by ordinary instrument of assignment, impliedly does more than to warrant that he has title to a *prima facie* valid (not infeasible) patent, we think that in any event the Court will assume that, in the absence of some covenant to the contrary, the subject matter dealt with by the parties is the inventor's interest in a granted patent, for what it may be worth, or his inchoate right to obtain a patent for his actual invention. In this connection, it is recalled that this Court has many times stated that an inventor is presumed to know the prior art, i. e., that in legal contemplation his invention is that which involves inventive novelty in view of the prior art. See, for example, the Mast-Foos case, 177 U. S., 485, 493, where the Court said:

“Having all these various devices before him, and whatever the facts may have been, he is chargeable with a knowledge of all pre-

existing devices, did it involve an exercise of the inventive faculty to employ this same combination in a windmill for the purpose of converting a rotary into a reciprocating motion? We are of the opinion that it did not."

We venture the further suggestion that it would be conducive to fair dealing and obviate many disputes were the rule to be adopted that in the absence of a covenant expressly warranting validity, the assignor should be held to no implied warranty other than that he possesses good title to a *prima facie* valid patent, because, ordinarily, the parties bargain with knowledge of the law that patents are only *prima facie* valid; and, if the assignee desires further assurance than that of the presumptive validity of the patent, he should exact a covenant warranting validity, or a covenant in which the assignor agrees that he will not use anything coming within an agreed description, whether patentable or not. In the absence of such covenants, it would seem, at least, that there should be no presumption that the parties contemplated an agreement that the inventor should not be free to use anything beyond the scope of his actual invention.

We call attention to cases quoted in the appendix hereto to the effect that the parties are presumed to know the law; also, to the effect that patents are *prima facie* valid under our law; also, to the effect that in the case of ascertained chattels, the vendor impliedly warrants his title, but does not impliedly

warrant quality. Further, we invite especial attention to the English case of *Hall vs. Conder et al.*, 2 C. B., n. s., 22, in which it was held that there is no implied warranty of validity. The Court of Common Pleas there said:

“But did the plaintiff profess to sell, and the defendant to buy a good and indefeasible patent right or, was the contract merely to place the defendant in the same situation as the plaintiff was in with reference to the alleged patent? * * * Why, therefore, should we assume that the plaintiff meant to assert that the patent was indefeasible, and that the defendants purchased on that understanding rather than that, each knowing what the invention was, and having equal means of ascertaining its value, they contracted for the patent such as it was, each acting on his own judgment; we think the latter was the true nature of the contract and that there was no warranty, express or implied,—”

and the judgment was affirmed by the Court of the Exchequer. (See colloquy of the justices set forth in the appendix.)

It is respectfully submitted that the decree below was right, and should be affirmed.

JOHN H. LEE,
FREDERIC D. MCKENNEY,
WM. H. DYRENFORTH,
Counsel for Respondent.

APPENDIX.

Rule as to Implied Warranty of Quality in Respect to Chattels.

The rule is stated in Mechem on Sales, Vol. II (1901), Secs. 1311-12:

"It is the well settled and general rule of common law * * * that upon the present and executed sale of a definite, ascertained and existing chattel which is open to the inspection of the buyer, and of which the seller is neither the manufacturer nor the grower, *no warranty whatever as to quality, fitness or condition is implied*. In such cases, unless there is fraud or the seller gives an express warranty, the rule of the common law is practically, without exception, that the buyer purchases at his own risk. *Caveat emptor* is the invariable maxim. If the buyer wishes further protection than his own inspection or judgment can give him, he must exact a warranty."

"1312. Rule is not altered by the fact that the examination or inspection will consume time or is attended with labor and inconvenience. No exception to it can be admitted, to use the language of a leading case (*Hyatt vs. Boyle*, 5 Gill & J. (Md.), 110, 25 Am. Dec., 276. To same effect is language of Davis, J., in *Barnard vs. Kellogg*, 10 Wall. (U. S.), 382) * * *."

**No Warranty of Validity of Patent by Mere Sale of
Vendor's Right or Interest.**

"On a mere sale of the vendor's right or interest in a patent there is no implied warranty of the validity of the patent. The vendee is merely placed in the vendor's position."

Biddle on Chattel Warranties, Sec. 257.

In England it has been held that there is no warranty in such cases.

Hall vs. Conder, 2 C. B., N. S., 22; 9 E. C. L., 22.

And this view has been approved in Canada.

Gray vs. Billington, 21 U. C. C. P., 288.

In the case of *Wilder vs. Adams*, 2 Woodb. & M. (U. S.), 331; Fed. Case No. 17,647, there was an express covenant for the payment of certain sums as royalties. It was held that the invalidity of the patent could not be set up as a defense.

Circuit Justice Woodbury discussed the case from various standpoints. In the course of his decision the Justice stated:

"Nor is any case found, where a patent has been possessed and enjoyed, and a recovery back of the consideration paid for it has succeeded. Phil. Pat., p. 347, c. 16.

"On the contrary, it has been held that if benefits have been obtained by the patent,

the recovery back will not be sustained. *Taylor vs. Hare*, 1 Bos. & P. (N. R.), 260; 2 N. H., 65. It is on a principle somewhat analogous, that a borrower of an article, having admitted the title of the lender, must restore it to him, under his contract to do it, and under his recognition of the title of the lender by hiring it of him."

In *Hall vs. Conder et al.*, 2 Common Bench (new series), 20; 140 English Reports (full reprint), 318, the action was one of debt for money agreed to be paid for a moiety of an English patent and rights for foreign patents. Plaintiff sought to recover the money agreed upon. Defendant pleaded "the invention was wholly worthless and of no public utility, and was not new as to the public use thereof in England, and that the plaintiff was not the true and first inventor thereof."

WILLIAMS, J.:

"In this case, the thing sold was ascertained, viz., a moiety of a patent granted by Her Majesty, there was no express warranty; and, whether it be said that the question raised on the plea impeaches the plaintiff's title to the thing sold, or its quality, no warranty can be implied. But did the plaintiff profess to sell, and the defendant to buy a good and indefeasible patent right? or, was the contract merely to place the defendant in the same situation as the plaintiff was in with reference to the alleged patent?

in which case, his position would be similar to that of the plaintiff in *Kintrea vs. Pers-ton*, 1 Hurlst & Norm., 357. The plaintiff professed to have invented a method for the prevention of boiler explosions. It is not alleged that he is guilty of any fraud. He must therefore have been an inventor; for, if he was not, he must have known it, and would have been guilty of fraud in pretending to have invented. Whether he was the true and first inventor within the meaning of the Statute of James, is another question. The first material allegation in the plea is that the alleged invention was wholly worthless and of no utility to the public. Now that was a matter as much within the knowledge of the defendants as of the plaintiff. The next allegation, viz., that it was not new as to the public use thereof in England and that the plaintiff was not the first and true inventor, was also a matter as much within the knowledge of the defendants as of the plaintiff. They had the same means of inquiring into the facts and of learning whether it had been in use or the invention had been previously made known in England. Why, therefore, should we assume that the plaintiff meant to assert that the patent was indefeasible, and that the defendants purchased on that understanding rather than that, each knowing what the invention was, and having equal means of ascertaining its value, they contracted for the patent such as it was, each acting on his own judgment; we think the latter was the true nature of the contract and that there was no warranty, express or implied, * * *

Argued Exchequer Chamber 18th June.

Lord Campbell, C. J., Lord Chief Baron Pollock,
Coleridge, J., Erle, J., Crompton, J., and Bramwell,
J.

“CROMPTON, J.: * * * Then there is the plea that the patent was void. * * * The plaintiff professes to sell a patent. (Lord Campbell, C. J.): ‘No. There is no warranty. If you could have shown fraud, that would have been a different matter.’ (Bramwell, J.): ‘Suppose the defendants had worked the patent for 14 years and then discovered it to be invalid, setting aside the difficulty as to the Statute of Frauds, could they recover back their money they had paid for it?’ No, that would be unreasonable. (Lord Campbell, C. J.): ‘To make anything of this point, there must have been either a warranty or fraud. No fraud is alleged; and there is no warranty as to the *quality* of the thing contracted for. Supposing the money to have been paid, and the *invention* to turn out not to be new, the money would be recoverable back as upon a failure of consideration. (Lord Campbell, C. J.): ‘Not in the absence of a warranty’ * * * So here, a patent is not a patent unless it confers an exclusive privilege which a void patent cannot do. (Lord Campbell, C. J.): ‘The thing contracted for here was a *real patent under the Great Seal*, although by reason of circumstances not within the knowledge of either party at the time of the contract it might prove valueless. If the court are prepared to hold that under this

contract the defendants were bound to accept a patent for an invention which was wholly worthless and not new, there is an end of the argument.' * * *

"Judgment Court Common Pleas affirmed. Judgment for Plaintiff."

Parties Are Presumed to Bargain With Knowledge of the Law.

That a patent grant is defeasible and that the patent is only *prima facie* valid.

In the *Slaughter* case, 13 Wall., 385, 20 L. Ed., 627, Justice Field said:

"The neglect of the purchaser to avail himself, in all such cases, of the means of information, whether attributable to his indolence or credulity, takes from him all just claim for relief."

In the *Brant* case, 93 U. S., 337, 23 L. Ed., 927, the same Justice said:

"Where the condition of the title is known to both parties, or both have the same means of ascertaining the truth, there can be no estoppel."

In *Bright vs. Allen*, 203 Pa., 399; 53 Atl., 252, the Court said, quoting from a prior decision of the same Court:

"If, therefore, the truth be known to both parties, or if they have equal means of knowledge, there can be no estoppel."

The preceding cases involved questions of title or boundary of real estate. The principle, however, seems equally applicable to the instant case.

In the *Eads* case, 117 Fed., 56, 54 C. C. A., 442, Judge Sanborn said:

"A misrepresentation by one party of a fact of which the other is actually and permissively ignorant is a *sine qua non* of an equitable estoppel."

Petition for certiorari denied by Supreme Court, 187 U. S., 647; 23 Sup. Ct., 846, 47 L. Ed., 348.

In *Sheffield Co. vs. Hydraulic Co.*, 171 Mich., 450; 137 N. W., 315; Am. Cas., 1914B, 984, the Court quoted with approval the rule as stated in 11 Am. & Eng. Enc. of Law (2d Ed.) at page 434:

"It may be stated as a general rule that it is essential to the application of the principle of equitable estoppel that the party claiming to have been influenced by the conduct or declarations of another, to his injury, was himself not only destitute of knowledge of the state of the facts, but was also destitute of any convenient and available means of acquiring such knowledge, and that, where the facts are known to both parties, or both have the same means of ascertaining the truth, there can be no estoppel."

In *Mutual Life Insurance Co. vs. Phinney*, 178 U. S., 327, the Court said:

“When two parties enter into a contract, and make it determinable by the law of another State, it is conclusively presumed that each of them knows the law in respect to which they make the contract. There is no presumption of ignorance on the one side and knowledge on the other. * * * And so when these two parties, the insurance company and the insured, dealing, as we are now supposing, in a contract which they mutually agreed should be determinable by the laws of New York, it is an absolute presumption that each knew those laws, and that neither one could be misled by any statement in respect thereto on the part of the other. Whatever opinion either might express in reference to those statutes was a mere matter of opinion. He was chargeable with knowledge, just exactly as the insurance company was.”

See also:

Fellows vs. National Can Co., 257 Fed., 970;
Sturm vs. Boker, 150 U. S., 312.

In *Chatfield vs. Simonson*, 92 N. Y., 209, 218, the Court said:

“The assertion of a legal conclusion, where the facts were all stated, did not operate as an estoppel upon the party making such assertion.”

Presumption of Validity from Grant of Patent.

The rule that a patent is *prima facie* valid has been affirmed so many times that it is scarcely necessary to refer to the cases.

See:

Damrow Brothers Co. vs. Stoelting Brothers Co. (C. C. A., 7th Circuit, 1924), 295 Fed., 492, 495.

Also, see Supreme Court cases cited therein.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY *v.* FORMICA INSULATION COMPANY.

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT.

No. 102. Argued October 22, 23, 1924.—Decided December 8, 1924.

1. An assignment of a patent, or of the invention upon which a patent is subsequently granted to the assignee, though not required to be under seal, works an estoppel as by deed, preventing the assignor from denying the novelty and utility of the patented invention when sued by the assignee for infringement. P. 348.
2. This estoppel, however,—distinct from any that might arise *in pais* from special representation,—while it estops the assignor from denying the validity of the claims, does not prevent him from narrowing or qualifying their construction by showing the state of the art. Pp. 350, 352.
3. The estoppel is applicable to claims added by an assignee and allowed by the Patent Office after the assignment, which were foreshadowed by the specifications sworn to by the assignor and accompanying his application. P. 353.
4. But it will not be enlarged by a claim originally made by the assignor but so manifestly invalid that it was promptly rejected by the Patent Office as embracing the prior art. P. 354.
5. Patent No. 1,284,432, issued to the plaintiff as assignee of O'Connor, covering a process of making composite electric insulation materials by coating sheets of fibrous material, such as cardboard, with adhesive binders and subjecting them to heat and pressure, applies, as between assignor and assignee, to nonplaniform articles (claims 11 and 12, added after assignment) but only where the "two-step" procedure,—viz., application of heat and high pressure to the superposed sheets and cooling them, and then the baking of them under lower pressure,—is employed in the manufacture. P. 353.

288 Fed 330, affirmed.

THIS is a writ of certiorari to the Circuit Court of Appeals for the Sixth Circuit in a patent suit. The Westinghouse Electric Company sued the Formica Com-

pany charging it with infringement of Claims 11 and 12 of Patent No. 1,284,432, issued November 12, 1918, to the complainant as assignee, on an application of O'Connor filed February 1, 1913. The patent covered a process for making composite electric insulation materials using paper, muslin, or other fibrous material. The fabric was to be coated on one side with an adhesive liquid, such as bakelite, a condensation product of phenol and formaldehyde. It was then dried by passing it over a series of rollers in a steam-heated oven. The thickness of the coating retained by the paper was regulated by varying the distance between the two rollers and by altering the viscosity of the liquid. The prepared paper was cut into sheets of any desired size, and a plate built up to the required thickness by placing the sheets together, with the untreated side of each sheet next to the treated side of the adjacent sheet. The built-up plate was then placed between thin sheet steel plates on which had been rubbed a small amount of machine oil. Any desired number of the steel plates carrying the sheets of paper were placed between the platens of a hydraulic press which had been previously heated by steam. The press was closed and pressure applied to as much as 800 pounds per square inch. Steam heat was first applied and then a cooling period followed. The period of pressure and heat was varied in proportion to the thickness of the plate according to a table set forth. The effect was firmly to cement together the sheets of paper and further to impregnate the paper with the bakelite. Thus the plate was transformed into a hard and compact mass. After cooling, the plates of insulation were removed from the press and clamped between steel plates to prevent warping during the baking. The plates were then placed in ovens, with an air pressure of 140 pounds per square inch, and the temperature regulated between 100 and 140 degrees centigrade. These conditions were main-

tained for approximately eight hours, when the plates were removed from the oven and the finished product allowed to cool. The specifications further said that, while the process was used for plates, the material could be similarly produced in the form of channel pieces or tubes that were cylindrical or rectangular in cross section or of other shape, as desired, by pressing in forms of the proper shape. The resultant material had a specific gravity of approximately 1.25, was practically nonabsorbent, even when soaked in hot water, and was insoluble.

The first ten claims subsequently allowed in the patent referred to the so-called "two-step" process, namely, first, the application of heat and pressure to the superposed sheets and cooling them, and second, the baking of them under a lower pressure.

The 11th and 12th claims, however, were as follows:

"11. The process of manufacturing a non-planiform article which consists in superposing a plurality of layers of fibrous material associated with an adhesive substance that is adapted to harden under the influence of heat and pressure into a substantially infusible and insoluble condition, and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials.

"12. The process of manufacturing a non-planiform article which consists in superposing a plurality of layers of fibrous material associated with a phenolic condensation product and molding the superposed layers by means of a form of the proper shape while applying pressure and heat to compact and harden the materials."

It will be observed that there is no express provision or requirement in the 11th and 12th claims for the "two-step" process as an element. The defendant does not use the two-step process but does make non-planiform articles.

The defenses were that the two claims were invalid for want of novelty, or if valid must be limited to the

two-step process. A second defense was that complainant had been guilty of laches estopping it from prosecuting the action, in that it had known of the defendant's manufacture of its composition and its large investment in the business without objection for four years before the claims Nos. 11 and 12 were secured by the defendant as assignee from the Patent Office and did not sue for three years thereafter.

In reply, the plaintiff urged that the defendant, being in privity with O'Connor in the assignment and the infringement, was estopped to dispute the validity of the 11th and 12th claims construed according to the ordinary meaning of their language, which, as it contended, did not require the two-step process.

The District Court sustained the defense based on complainant's laches and dismissed the bill.

On appeal, the Circuit Court of Appeals held that the defense of laches could not be sustained. Coming to consider the defense of estoppel, the Court held that on the facts no estoppel arose as to the claims sued on, and, proceeding then to the merits, found that claims 11 and 12 were invalid for lack of invention.

O'Connor was a mechanical engineer, and after graduation from college entered the employ of the Westinghouse Company at a small salary, with the understanding that he was to be allowed to work in association with experienced engineers and gain experience in the line of his profession, and that inventions made by him when in the company's employ were to become the property of the company and to be assigned by him to it. O'Connor made this invention and disclosed it by written description to the company, which through its legal department prepared his application for a patent and an assignment, both of which he executed, receiving the nominal consideration of one dollar. Thereafter, pending the appli-

cation for the patent, O'Connor left the company's employ and associated himself in business with two others in the manufacture of electric insulating material, in a partnership, which was thereafter organized into a corporation known as the Formica Company, and its stock divided between the partners. From 1913 the partnership and succeeding company have been engaged in the manufacture and sale of laminated products having a phenolic condensation binder. They have made non-planiform articles, as well as flat plates, openly and with the knowledge and acquiescence of the Westinghouse Company from the beginning in 1913 down to the time this suit was brought July 6, 1920.

When the application for the patent here in suit was filed and was assigned to the company, there were no claims based on a distinction between flat plates and non-planiform articles. But the specifications signed by O'Connor contained the following: "While the process above described is that used for making plates, the insulating material may be produced in the form of channel pieces or tubes that are cylindrical or rectangular in cross section or of other shape, as desired, by pressing in forms of the proper shape."

The art of making insulating material was well advanced when O'Connor entered it. A Haefely patent owned by the Westinghouse Company, when O'Connor began his experiments, was for a process for making a hard material offering resistance to the electric current out of paper covered with varnish, wound around a mandrel and subjected to pressure and heat. The art also showed a forming press by Haefely for pressure of flat articles for such a purpose. There was a process patent to Thomson for making insulating material by applying to paper sheets an earthy or mineral substance with binding material, piling such sheets together and drying and heating the resulting mass. Baekeland had

invented much in this art and all before O'Connor. One of his discoveries was that of the "bakelite" which O'Connor suggests using in his process—a combination of phenol and formaldehyde, a viscous fluid resisting the electric current and attaining great hardness under heat and pressure for use as a binder. Another patent of Baekeland was for "a composite cardboard consisting of superposed layers of paper or the like combined with intermediate layers of an insoluble, infusible condensation product of phenols and formaldehyde," in which he described his process as follows:

"I apply to the surface of any of the ordinary grades of paper, or to asbestos paper or the like, a coating of a liquid condensation product of phenols and formaldehyde of such character that it is capable of transformation under the action of heat into an insoluble and infusible body. For this purpose I may use either a liquid condensation product of the character described, or a solution of the same in alcohol or other appropriate solvent. This layer is permitted to dry somewhat, when a second sheet of paper is superposed upon the first and similarly treated; or the several layers may be coated and preferably dried before being superposed. The condensation product may be applied to one or both sides of the sheets. The desired number of sheets having been assembled, the composite article is compacted by pressure, with or without the aid of heat. Heat is now applied in order to effect the transformation of the condensation product into an insoluble and infusible body."

Mr. John C. Kerr and Mr. Drury W. Cooper for petitioner.

Mr. Frederic D. McKenney and Mr. John H. Lee, with whom Mr. Wm. H. Dyrenforth was on the brief, for respondent.

MR. CHIEF JUSTICE TAFT delivered the opinion of the Court.

The important question in this case is the operation of the principle of estoppel on the character of defense to which the assignor of a patented invention is limited in a suit for infringement by the assignee. We may first usefully consider the rule that should obtain where the assignment is made after the issue of the patent, and then the difference in the rule, if any, where the assignment was made before the granting of the patent.

Congress under its power to secure for limited times to inventors the exclusive right to their discoveries, has enacted laws conferring such an exclusive right by patent after an application with specification of the invention and claims therefor and a favorable decision by the Commissioner of Patents. The patent of the exclusive right against the public carries with it a presumption of its validity. *Agawam Co. v. Jordan*, 7 Wall. 583; *Blanchard v. Putnam*, 8 Wall. 420; *Miller v. Eagle Mfg. Co.*, 151 U. S. 186; *Boyd v. Janesville Hay Tool Co.*, 158 U. S. 260. It is not conclusive but the presumption gives the grant substance and value. By § 4898, Rev. Stats., every such patent or any interest therein shall be assignable in law by an instrument in writing, and the patentee or his assigns or legal representatives may, in like manner, grant and convey an exclusive right under his patent to the whole or any specified part of the United States. The section further provides that an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from the date thereof. While a seal is not required to make an assignment legal, *Gottfried v. Miller*, 104 U. S. 521, there seems to be no reason why the principles of estoppel by deed should not apply to assignment of a patent right in accordance with the

statute. Its purpose is to furnish written and recorded evidence of title and to protect the purchaser of the title as recorded for value without notice. It was manifestly intended by Congress to surround the conveyance of patent property with safeguards resembling those usually attaching to that of land. This Court has recognized the analogy between estates in land by estoppel and the right to enjoy a patent right in the use of an article conveyed by one without authority but who acquires it by subsequent conveyance. *Gottfried v. Miller*, 104 U. S. 521; *Littlefield v. Perry*, 21 Wall. 205.

There are no cases in this Court in which the application of the principle of estoppel as by deed to the conveyance or assignment of patent property has been fully considered. But there are many in the reports of the Circuit and District Court decisions and in those of the Circuit Court of Appeals. They began as early as 1880 in *Faulks v. Kamp*, 3 Fed. 898, and were followed by a myriad. The rule supported by them is that an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant. As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use. *Curran v. Burdsall*, 20 Fed. 835; *Ball & Socket Fastener Co. v. Ball Glove Fastening Co.*, 58 Fed. 818; *Woodward v. Boston Lasting Machine Co.*, 60 Fed. 283, 284; *Babcock v. Clarkson*, 63 Fed. 607; *Noonan v. Chester Park Athletic Co.*, 99 Fed. 90, 91. There are later cases in nearly all the Circuit Courts of Appeal to the same point. In view of the usual finality of patent decisions in the Circuit Courts of Appeal, this Court will not now lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion in those courts.

The analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is clear. If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent him from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantee. The grantor purports to convey the right to exclude others, in the one instance, from a defined tract of land, and in the other, from a described and limited field of the useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land is easily determined by survey. Not so the scope of a patent right for an invention.

As between the owner of a patent and the public, the scope of the right of exclusion granted is to be determined in the light of the state of the art at the time of the invention. Can the state of the art be shown in a suit by the assignee of a patent against the assignor for infringement to narrow or qualify the construction of the claims and relieve the assignor from the charge? The Circuit Court of Appeals for the Seventh Circuit in *Siemens-Halske Electric Co. v. Duncan Electric Co.*, 142 Fed. 157, seems to exclude any consideration of evidence of this kind for such a purpose. The same view is indicated in subsequent decisions of that court. *Chicago & Alton Ry. Co. v. Pressed Steel Car Co.*, 243 Fed. 883, 887; *Foltz Smokeless Furnace Co. v. Eureka Smokeless Furnace Co.*, 256 Fed. 847. We think, however, that the better rule, in view of the peculiar character of patent property, is that the state of the art may be considered. Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court in

reaching a just conclusion. Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable. Such evidence might not be permissible in a case in which the assignor made specific representations as to the scope of the claims and their construction, inconsistent with the state of the art, on the faith of which the assignee purchased; but that would be a special instance of estoppel by conduct. We are dealing only with the estoppel of an assignment based on the specifications and claims without special matter *in pais*.

Mr. Justice Lurton, when Circuit Judge, speaking for the Circuit Court of Appeals of the Sixth Circuit, in *Noonan v. Chester Park Athletic Co.*, 99 Fed. 90, 91, used this language:

"It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty or utility, or because anticipated by prior inventions. But this estoppel, for manifest reasons, does not prevent him from denying infringement. To determine such an issue, it is admissible to show the state of the art involved, that the court may see what the thing was which was assigned, and thus determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against an infringer. The court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger."